ANNUAL **REPORT** 2011

Gamesa

KEY
FIGURES

Financial figures	2011	2010	2009	2008	2007
Revenues (€mn)	3,033	2,764	3,229	3,834	3,247
MW equivalent sold	2,802	2,405	3,145	3,684	3,289
EBIT (€mn)	131	119	177	233	250
Net profit (€mn)	51	50	115	320	220
Net debt/EBITDA	2.0x	-0.6x	0.7x	0.1x	0.5x
Share price at 31 Dec. (€)	3.21	5.71	11.78	12.74	31.98
Earnings per share (€)	0.21	0.21	0.47	1.32	0.90
Gross dividend per share (€)	0.05	0.12	0.21	0.23	0.21

Social indicators	2011	2010	2009	2008	2007
Workforce	8,357	7,262	6,360	7,187	6,945
% international workforce	42	36	31	32	33
% women in workforce	23.2	24.55	25.52	25.34	22.30
% permanently employed	88	87	86	72	68
Hours training/employee	39.57	32.27	32.32	32.79	24.10
Frequency index	3.84	4.19	4.91	9.15	20.06
Accident severity index	0.09	0.13	0.16	0.19	0.30

Environmental indicators	2011	2010	2009	2008	2007
Raw materials (t/€mn)	45	41	40	47	43
Energy consumption (GJ/€mn)	421	401	321	354	396
Water consumption (m^3/€mn)	33	34	28	31	37
Waste produced (t/€mn)	5	5	5	5	5
Discharges produced (m^3/€mn)	20	20	17	13	20
CO_2 emissions (t/€mn)	18	21	15	17	19
CO_2 emissions avoided (t/€mn)	1,636	1,403	1,036	1,239	1,467
CO_2 emissions avoided (t, cumulative)	36.2	31.2	27.4	24.0	19.3

Sustainability indicators/indices	2011	2010	2009	2008	2007
United Nations Global Compact	√	√	√	√	√
Dow Jones Sustainability Indexes Europe	√	√	√	√	√
FTSE4Good	√	√	√	√	√
Sustainable Business 20 (SB20)	√	√	√	-	-
Ethibel Excellence Europe	√	√	√	√	-
Global Challeges Index	√	√	√	√	√
CleanTech Index (CTIUS)	√	√	√	√	-

ANNUAL **REPORT**
2011

CONTENTS

Gamesa

MESSAGE FROM
THE CHAIRMAN

Dear shareholder,

In 2011, we continued to operate in an extremely complex environment and focused our efforts on achieving our objectives, with proposals and solutions that respond to these changing times.

We have weathered the ongoing global macroeconomic and financial situation, which is hindering access to funding and is shaping not only the pace of wind project development worldwide, but also the corresponding returns. Other difficulties include stock market volatility, regulatory changes in some of our core markets, extreme price competition, and new needs in terms of customers and markets.

However, not all wind power markets are being impacted by this situation in the same way. Lower wind demand in mature markets has been offset by growth in emerging countries in Asia, Latin America and Africa, which have advanced notably in their renewable energy policies and view wind power as a method for combating both structural energy deficits and excessive dependence on a single domestic energy source and also as a factor driving the development of their economies and communities.

Wind power remained a focal point in the debate on the future of energy worldwide and its effects on socio-economic development. Governments remain firmly committed to wind's contribution to the energy mix in the medium and long term. This, together with growth in global demand, the need to diversify energy sources to reduce external dependence, and the increasing competitiveness of wind energy guarantee double-digit growth (10-20%) in new facilities through 2015. More than 41,000 MW of wind capacity were installed in 2011 alone, i.e. 21% more than in 2010, with the result that total installed capacity worldwide stands at over 238,000 MW. Wind facilities are currently present in 75 countries, of which 22 have more than 1,000 MW of capacity.

Against this backdrop, our business has performed as follows:

- the wind turbine design, manufacture and installation business expanded by 16%, to 2,802 MW, 92% of which were outside Spain. We also enhanced stability by signing new framework agreements. We installed a record 3,308 MW of capacity, which improved our position in the global ranking of wind turbine manufacturers;

- in the services business—which is key for making Gamesa an end-to-end operator and for fulfilling our commitment to reduce the Cost of Energy—we had over 16,300 MW under O&M contracts for more than 150 clients; and

- we continued to monetise our wind farm pipeline and our know-how in the development, construction and sale of wind farms, having installed 5,000 MW to date and with a pipeline of 24,000 MW in Europe, North America and Asia.

In short, we have strengthened the strategies that will enable Gamesa to reinforce its leading position in the industry by becoming more global and diversified, and we have focused on notably enhancing our efficiency and, therefore, our competitiveness.

Gamesa met its financial and operating guidance for 2011, obtaining double-digit growth in key figures while maintaining profitability: revenues amounted to 3.033 billion euro, EBIT to 131 million euro, and net profit to 51 million euro. The wind turbine division's EBIT margin was 4%, and net financial debt, another variable for which we set a target, was 710 million euro, i.e. twice EBITDA.

Today we are more global (with operations in 50 countries and more than 50 nationalities on staff) and, in recent months, we have capitalised on growth in emerging countries (Brazil, and Latin America in general, as well as Asia, primarily India), accessed new regions (Canada, Cyprus, Honduras, etc.), landed more customers, and diversified market risks. We currently maintain a stable presence in the world's principal wind power markets—Asia, Latin America, North America and Europe—and our customers span five continents.

Our current initiatives, which will require the full commitment of all concerned, will strengthen our position as a global leader

We maintained our commitment in 2011 to launching new, more competitive onshore and offshore products for all types of sites and classes of wind, and today our portfolio is more versatile and competitive, with the G9X-2.0 MW and G10X-4.5 MW platforms and new offshore developments, such as the G11X-5.0 MW. One of our most ambitious management initiatives in 2011, and which will continue to be important in 2012, was to adapt production, either optimising it in line with shrinking demand in traditional markets, or strengthening it in countries with notable current and future growth potential, such as Brazil and India.

We also enhanced our services activity and launched new value-added solutions—such as refurbishing large components, launching the GPA programme, and increasing turbines' useful lives—with a view to improving the availability and productivity of our customers' wind farms. Moreover, we continue to advance in wind farm development and sales, having clinched more than 400 MW of new sales in 2011 and 480 MW in the US earlier in 2012.

Stock markets remained volatile in recent months in view of economic uncertainties; as a result, shares depreciated by between 28% and 67% in our industry. The investment community failed to recognise Gamesa's fulfilment of its business objectives, and our share depreciated by 43%. We are aware of the challenges facing the industry and of the importance of working to transmit to our shareholders and future investors the strength and viability of our business and the fact that this is an industry of the future.

Following the phase of expansion and diversification of markets, customers and products, Gamesa's focus in 2012 will be on maintaining profitability and a sound financial position. Now is the time to pursue further optimisation so as to adapt our production to demand and our structural costs to the reality in which we operate— all of which is key to improving competitiveness so as to emerge from this complex situation stronger than before.

In this turbulent context, full of uncertainties, Gamesa will be resolute in reinforcing its financial situation by improving leverage and strengthening the balance sheet.

These measures will require a commitment from all of our professionals, and I'm convinced that they will enable us to exit this difficult situation in a stronger position, lay the foundation to enhance our ranking as an industry leader, and reaffirm our standing as a global frontrunner.

Ignacio Martín
CHAIRMAN

BOARD OF **DIRECTORS**

Chairman

Ignacio Martín	Executive

Deputy Chairman

Juan Luis Arregui	Independent

Members

Carlos Fernández-Lerga *	Independent
José María Vázquez	Independent
Benita Ferrero-Waldner	Other non-executive
Sonsoles Rubio	Proprietary
Luis Lada	Independent
Iberdrola, represented by Agustín Delgado	Proprietary
José María Aracama	Independent

Director and Board Secretary

Carlos Rodríguez-Quiroga	Executive

* Lead independent director
Executive Committee
Appointment and Remuneration Committee
Audit and Compliance Committee

MANAGEMENT

Chairman Ignacio Martín

Operating Units

Ricardo Chocarro	Operations Managing Director
José Antonio Malumbres	Chief Technology Officer
Javier Perea	Sales and Project and Offshore Managing Director
Teodoro Monzón	Wind Farm Development and Sales Managing Director
Pedro López	Services Managing Director
José Ignacio Larretxi	Business Excellence Managing Director
Martín Barandela	Planning Director

Corporate Units

Juan Ramón Iñarritu	Chief Financial Officer
José Antonio Cortajarena	General Secretary and Legal Advisory Managing Director
Félix Zarza	Internal Audit Manager**
Juana Mª Fernández	Human Capital Managing Director
David Mesonero	Director of Business Development
Susana Sanjuán	Communications and Sustainability Director
Jerónimo Camacho	Institutional Relations Managing Director

Geographical Units

José Antonio Miranda	Chairman and CEO for China
Ramesh Kymal	Chairman and CEO for India
David Flitterman	Chairman for North America
Borja Negro	CEO for North America
Dirk Matthys	Chairman for Northern Europe

** Reports functionally to the Audit and Compliance Committee

GAMESA 2011
GLOBAL AND DIVERSIFIED

	AMERICA							AFRICA				ASIA			
	BRAZIL	COSTA RICA	USA	HONDURAS	MEXICO	DOMINICAN REP.	VENEZUELA	EGYPT	MOROCCO	SOUTH AFRICA	TUNISIA	CHINA	INDIA	JAPAN	SINGAPORE
Headquarters	●		●									●	●		
Manufacturing plants	●		●									●	●		
Wind turbine sales offices	●		●		●			●	●	●		●	●	●	●
Wind farm development			●		●	●						●	●		
Operation and maintenance	●	●	●	●	●		●	●	●		●	●	●	●	
Technology centres			●									●	●		●
Offshore															

PIONEER IN WIND TECHNOLOGY

18 years | 50 countries

WORLD LEADER

24,143 MW INSTALLED TO DATE | 2,802 MW SOLD IN 2011 | 92% INTERNATIONAL SALES

KNOW-HOW IN SERVICES

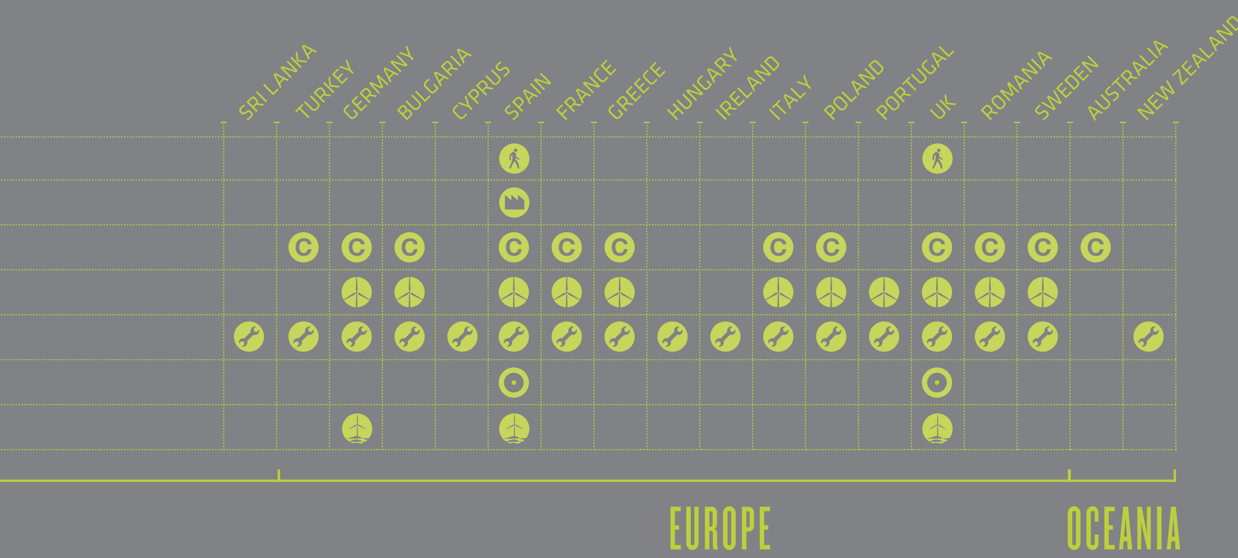
16,300 MW UNDER MAINTENANCE | 150 CUSTOMERS WORLDWIDE

WORLD LEADER IN WIND FARM DEVELOPMENT AND SALE

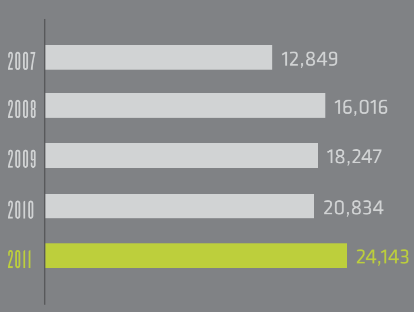
4,972 MW INSTALLED | 23,891 MW PIPELINE

MORE THAN JUST NUMBERS...

+36 million TONNES OF CO_2 AVOIDED | 8,000 EMPLOYEES | 42% OUTSIDE SPAIN

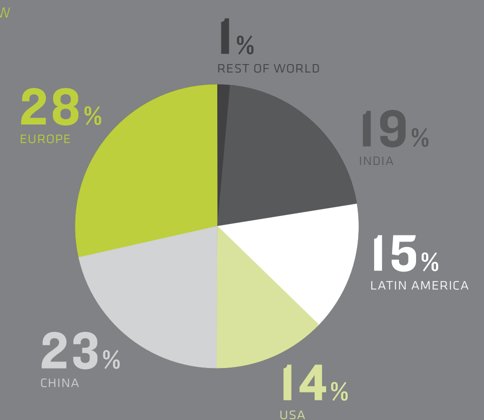


MW INSTALLED (CUMULATIVE)

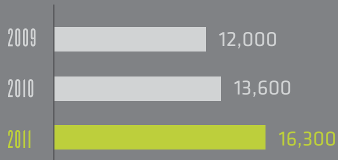


MW SOLD IN 2011

Total: 2,802 MW

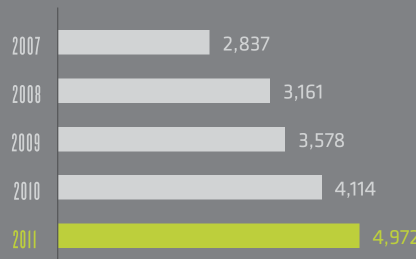


MW UNDER MAINTENANCE



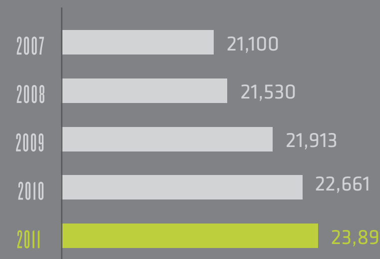
WIND FARM INSTALLED CAPACITY

MW



TOTAL WIND FARM PIPELINE

MW



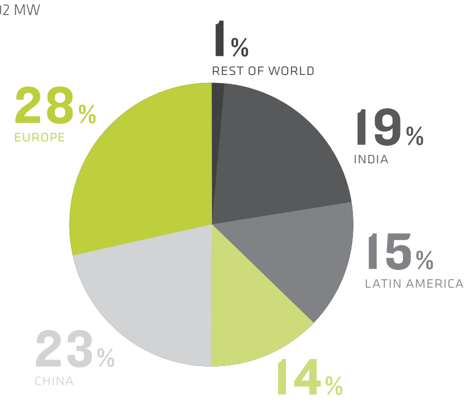
GAMESA 2011
AND STRATEGY

Reduction of the Cost of Energy, competitiveness and efficiency remain the critical vectors for strengthening Gamesa's global lead in the wind energy market. In 2011, the company made progress in all of the vectors and attained its financial, operational and business targets, supported by the globalization strategy and a rigorous program of efficiency, in spite of the complex situation and highly competitive markets. Sound finances and profitability will be the main goals of management in 2012.

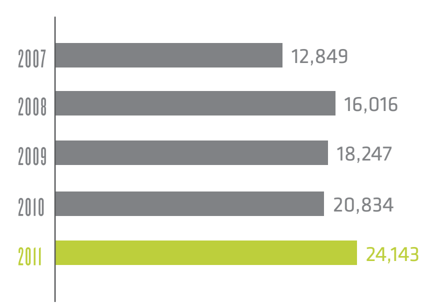
Eighteen years' experience and the installation of over 24,000 MW in thirty-five countries have made Gamesa a global technology leader in the wind industry.Its comprehensive response to this market includes the design, construction, installation and maintenance of wind turbines (16,300 MW in the latter case), together with wind farm development and sales worldwide. Gamesa is also firmly committed to the offshore wind business, in both technology R&D and manufacturing; it will expand into this area in line with market needs in the coming years.

MW SOLD IN 2011

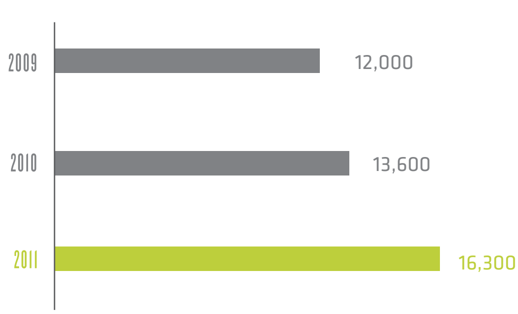
Total: 2,802 MW



MW INSTALLED (CUMULATIVE)

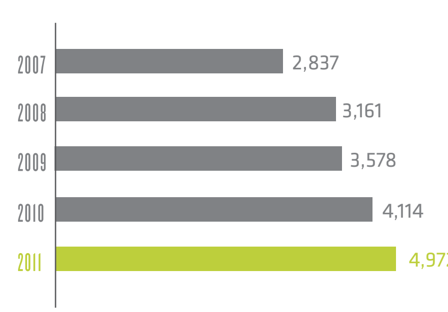


MW UNDER MAINTENANCE



WIND FARMS DEVELOPED

CUMULATIVE MW



Gamesa's main lines of business are as follows:

- wind turbine design, manufacturing and installation: Gamesa is among the world leaders in the market, having installed 24,143 MW through 2011.With manufacturing facilities in Europe, the US, Asia (China and India) and Brazil, Gamesa's policy is to have a stable presence in target countries, growing in line with the markets and responding to its customer's growth needs, while continuously improving the reliability, efficiency and availability of its portfolio of products and services, both present and future, enabling it to reduce the Cost of Energy for customers by 20% in 2013 and by 30% by 2015;

- Gamesa's end-to-end offering in the wind turbine manufacturing business is complemented by a comprehensive range of operation and maintenance (O&M) services; it currently provides O&M services for 16,300 MW owned by over 150 clients using an international network of more than 2,500 professionals equipped to respond to the need for optimal availability and returns while minimising maintenance costs. The services area is key for Gamesa's profitable growth because of its contribution to producing recurrent revenues, improving margins and generating cash flow. The new programmes also make a decisive contribution to improving CoE;

- in addition to its renewable energy manufacturing activities, since 1995 Gamesa has been developing and selling wind farms, enabling it to leverage its know-how in the process of construction, development and sale. Through 2011, Gamesa had established 170 wind farms worldwide, with a total installed capacity of close to 5,000 MW, and it had a pipeline of 24,000 MW in various stages of development in Europe, America and Asia.

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 expanding existing businesses or 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.

Diversification and efficiency

In 2011, Gamesa fulfilled its guidance in terms of volume, profitability and financial soundness. It also maintained profitable growth, supported by its globalisation strategy (which enables it to leverage growth in emerging regions and diversify market risks) and a rigorous efficiency programme, which led to double-digit growth in its key operating figures. The company also maintained margins despite the complex macroeconomic and industry situation as well as fierce competition.

In 2011, Gamesa obtained consolidated revenues of 3.033 billion euro (+10%). EBIT amounted to 131 million euro (+10%) and net profit to 51 million euro (+2%).

The recovery in wind turbine manufacturing activity and the focus on controlling costs provided the wind turbine division with an EBIT margin of 4% (in line with 2011 guidance). Additionally, intense activity in the wind farm development and sales division and the development of farms for delivery in 2011 and early 2012 provided the division with EBIT of 26 million euro (17 million euro in 4Q 2011 alone, three times the figure attained in 4Q 2010).

During the year, Gamesa continued to invest (229 million euro) in international expansion (India and Brazil), in launching and manufacturing new products (G9X-2.0 MW and G10X-4.5 MW) and R&D for new platforms (onshore and offshore). As a result, consolidated net financial debt (NFD) was 710 million euro (2 times EBITDA), in line with annual guidance.

In 2011, Gamesa made progress along the three main vectors of its Business Plan 2011-2013:

- reducing the cost of energy (CoE) by 10-15% (depending on platform and region) by launching new products and services;

- profitable growth: MW sold increased by 16.5%, in 23 countries, plus entry into new markets and growth in MW under maintenance and in wind farm sales;

- efficiency, by adjusting production capacity to demand, localising the supply chain in India and Brazil, and optimising construction and logistics costs.

Progress in all areas

Gamesa made considerable progress with its business strategy in 2011:

- Globalization and diversification: wind turbine sales expanded, with 92% of sales being made outside Spain. sales increased 2.6-fold in India (accounting for 19% of the total) and 3.8-fold in Latin America+Southern Cone (Honduras, Mexico and Brazil; 15% of the total). Europe (excluding Spain) accounts for 20% of the total, with Eastern Europe (Poland and Romania, in particular) representing 14%. China accounts for 23% and the US for 14%. Spain's share was less than 8% for the second consecutive year;

- In 2011, Gamesa set another record for capacity installed in a single year: 3,308 MW. Consequently, it climbed the world league table of wind turbine manufacturers to fourth place in terms of MW installed, according to consulting firms BTM and IHS Emerging Energy Research. International markets accounted for 87% of MW installed: the company strengthened its presence in major markets and installed its first turbines in Honduras, Costa Rica, Cyprus and Sweden;

- While consolidating its presence in regions with high wind potential, it also moved into new markets, making its first sales in New Zealand and Canada;

- New wind turbines: 356 MW of orders for the G97-2.0 MW from Europe, the US, China and India in the first year after its launch;

- Framework agreements: in December, Gamesa and Iberdrola signed a new framework agreement under which the utility will buy, for its renewables business, at least 50% of the onshore fleet that it purchases in Spain and other countries between 2013 and 2022 or until it has acquired a total of 3,800 MW, if earlier. The new framework covers cooperation between the partners in other business areas that are strategic for Gamesa, such as operation and maintenance services (O&M) and offshore wind power.

  In May, Gamesa announced the signature of a framework agreement with Caparo Energy (now Mytrah) in India to supply 2,000 MW of wind generating capacity over the next five years.

  The agreement, the largest of its type in India to date and one of the largest wind contracts in the world, covers the supply, installation and commissioning of G58-850 kW and G97-2.0 MW (up to 1,300 MW in this case) wind generators between 2012 and 2016.

- Expanding manufacturing base: Gamesa commenced manufacturing in Brazil in July after inaugurating its first plant there, in Camaçari, in the north-east of Bahia state, in order to meeting growing demand in the Brazilian wind market in the short and medium term. Gamesa will use Brazil as an industrial and operations base from which to expand into other countries in the region, such as Uruguay and Chile, where the company has new wind projects planned in the coming years. In 2011, Gamesa signed agreements to supply 330 MW in Brazil for wind projects to be developed by Iberdrola Renovables and Corporación Inveravante.

  Early in 2012, Gamesa inaugurated its first blade plant in India, which will supply blades for the G5X-850 kW and G9X-2.0 MW platforms, mainly to supply wind projects in the northern states, such as Gujarat, Rajasthan, Madhya Pradesh and Maharashtra, which have considerable wind potential. With three plants in India (nacelles, blades and towers, the latter through joint venture Windar), Gamesa's plans in India will be completed in 2012 with the installation of a new nacelle plant in the state of Tamil Nadu;

- Gamesa had 16,300 MW under maintenance at year-end, having added 2,700 MW to its portfolio during the year;

- In 2011, the O&M services division entered the large component repair and overhaul business and extended its range of services for third-party fleets.

  Not only does the services area play a key role in the growth vector, but its new programmes also contribute decisively towards CoE optimisation. Gamesa's new GPA programme aims to achieve 99% availability of its fleet and reduce farms' operating costs by up to 10%;

- Development and sale of wind farms, a key area: sales agreements totalling 417 MW with some of the world's leading utilities, and delivery of 177 MW in Spain, Germany, France, Greece and the US in 2011. Gamesa also has 734 MW in the final phases of construction and commissioning;

- Historic agreement: early in 2012, Gamesa signed an agreement to sell four wind farms in the US with a total installed capacity of 480 MW to Canadian utility Algonquin Power for 900 million dollars (700 million euro). Gamesa is currently developing and building the projects, which are scheduled to become operational in 2012. The deal represents 350 MW in new final orders for Gamesa turbines with delivery scheduled in 2012. It will also provide O&M services for the four wind farms for 20 years.

2012: profitability and sound finances

After completing a first phase that was focused on expansion and diversification in terms of markets, customers and products, the goal being to be wherever there is business to be done, and having set its growth process in motion, Gamesa will focus in 2012 on competitiveness and efficiency, in both management and costs.

Gamesa will give priority to sound finances and profitability over sales volume and will bring forward its net free cash flow break-even target by one year.

Also in 2012, Gamesa will continue to advance along the three vectors of its Business Plan 2011-2013, all of which are critical for strengthening its leading position in the sector worldwide:

- Optimisation of the Cost of Energy, focusing on improving turbine availability and reliability, with special efforts in 2012 to reduce the cost of materials. It will also develop two new wind turbines (G97-2.0 MW Class II and G114-2.0 MW Class III) and will continue to improve the availability of its fleet;
- Strengthening its presence in target markets and stepping up sales efforts among utilities in central and northern Europe and in markets in Southeast Asia, Australasia, South Africa and the Middle East. To do so, the company will leverage its presence in China, India and North Africa.

  The services area will intensify sales efforts outside Spain for its new value-added and large component repair and overhaul services.

  The wind farm development and sale division will continue to monetise its pipeline, focusing especially on the US;
- Efficiency is particularly important in the current market situation, as production capacity is being tailored to demand and concentrated in line with demand in specific regions and for specific products; material costs are also being reduced (in line with the commitment to reduce the Cost of Energy) and support functions are being optimised to make the organisation more competitive.

Wind power, a mature and competitive technology

Governments around the world are maintaining their commitments with regard to wind's contribution to the energy mix in the medium and long term. Those commitments, coupled with growing demand worldwide, the need to diversify energy sources so as to reduce energy dependence, and wind's growing competitiveness, guarantee double-digit growth in new facilities (10-20% between 2011 and 2015), according to independent sources.

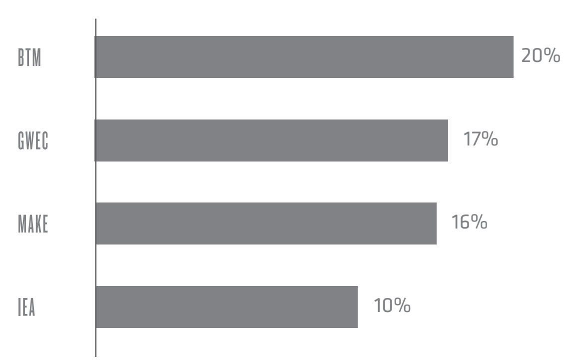
According to the studies performed by the United Nations Intergovernmental Panel on Climate Change (IPCC), renewable energies' contribution to the global energy supply will double by 2050, to 27% (currently 13%). Furthermore, compliance with the agreements reached at the Climate Change Conference in Cancun requires a much higher contribution, with renewable energies meeting close to 80% of global energy supply. Within that percentage, it is generally accepted that wind energy, given its technological maturity and economic competitiveness, will play a major role worldwide.

Those strengths, together with the ongoing efforts by wind turbine manufacturers such as Gamesa to improve competitiveness, suggest that the Cost of Energy of an average wind farm will be competitive with coal, gas and nuclear energy by 2016, according to Bloomberg New Energy Finance.

Since the 1980s, the price per MW of wind capacity has declined by 56%, and the cost of maintaining a wind farm per MWh has fallen by 78% in the same period. Moreover, progress in wind turbine design has improved the power curve which, together with larger rotors, has increased load factors by almost 50% to the current average of 34%. Furthermore, the latest capacity auctions in Brazil and Peru show that that wind energy is already competitive with gas for farms with very high load factors.

Therefore, the growing competitiveness of wind energy, together with governments' commitments to combating climate change, will offset the current demand shortfall in mature markets in the long term. In the short term, lower wind demand in mature markets, such as Europe and the US, is being offset by growth in emerging markets in Asia, Latin America and Africa. These new markets' commitment to renewable energies is not based on the need to slow climate change but, rather, on the need to combat structural energy deficits or excessive dependence on a single domestic energy source.

CAGR 2011-15e OF NEW WIND FACILITIES



Wind energy worldwide in 2011

The wind power industry made notable strides in all the world's main markets in 2011, installing over 41,000 MW (21% more than in 2010) and bringing total worldwide installed capacity to more than 238,000 MW by year-end, according to figures from the Global Wind Energy Council. Approximately 75 countries around the world have wind power facilities, 22 of them with more than 1,000 MW each.

For the second consecutive year, the bulk of new projects were located outside the OECD, with growth being driven by new markets in Latin America, Africa and Asia.

With over 62,000 MW of total installed capacity, China consolidated its position as world leader despite changes during the year in legislation and in market demand. India's total installed capacity amounted to over 16,000 MW after adding a record in new capacity: over 3,000 MW in 2011.

In spite of the economic crisis and the uncertainty about the energy market in some European countries, the European Union installed 9,616 MW in 2011, bringing the total to 93,957 MW, i.e. sufficient to supply 6.3% of the region's electricity consumption, according to the European Wind Energy Association (EWEA). Once again, according to EWEA figures, Germany is the European country with the most renewable installed capacity, followed by Spain (which has 21,673 MW).

Europe has set ambitious goals for wind energy: its contribution to GDP should have nearly tripled by 2020. If the wind industry were a member state of the EU, it would rank 19th in terms of its contribution to the EU's GDP, ahead of Slovakia and just below Hungary; additionally, it has scope to increase employment by over 200%, to 520,000, according to the EWEA. The industry could employ 795,000 by 2030.

After a difficult 2010, the wind industry in the US recovered in 2011, installing over 6,800 MW. "We have installed more than a third of all new American electric generation in recent years and are well on our way to providing 20% of America's electricity by 2030. Our 2011 installations alone provide enough electricity to power almost two million American homes," said Denise Bode, CEO of the AWEA.

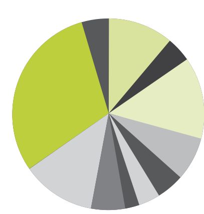
Wind energy had a record year in Canada, with over 5,000 MW installed in 2011, and Canada is now a very competitive area to invest in wind.

Latin America had a good year, as it added 1,200 MW. Brazil was in the lead, having increased the number of installations by 50% by adding 587 MW to reach a total of 1,500 MW. "Brazil has passed the milestone of 1 GW of installed capacity, and the pipeline of over 7,000 MW will be completed by the end of 2016," said Pedro Perrelli, Executive Director of ABEEólica, the Brazilian Wind Energy Association. "The wind industry in Brazil is attracting sizeable investment, supported by the policies of the Brazilian Development Bank (BNDES), but there is a growing need for a new regulatory framework with clear rules to sustain the strong pace of growth going forward."

GWEC expects new wind energy markets to open in Africa, Asia and Latin America in 2012 and it expects some of the new markets (such as Brazil) to start attaining critical mass. However, it warns that: "we will be hard pressed to keep the industry's growth up to its potential without a global price on carbon and other measures to account for the real costs to society of conventional power generation".

ACCUMULATED CAPACITY THROUGH 2011

TOTAL: 237,669 MW



26.2% CHINA

19.7% USA

13.7% ROW

12.2% GERMANY

9.1% SPAIN

6.8% INDIA

2.9% FRANCE

2.8% ITALY

2.7% UK

2.2% CANADA

1.7% PORTUGAL

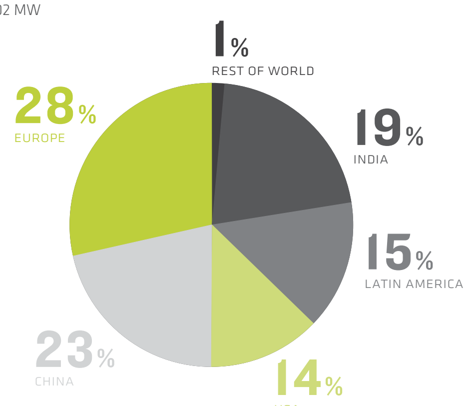
WIND TURBINES

Global, flexible and competitive Gamesa's approach to this segment is based on establishing a solid manufacturing base in the main wind markets, a powerful network of local suppliers, and a broad sales presence to approach target countries in the five continents. In 2011, Gamesa strengthened its lead in the world wind market based on its versatile portfolio of products for all site types and wind classes, technological and industrial capabilities, and a rigorous efficiency programme with the goal of becoming the benchmark in terms of the lowest Cost of Energy.

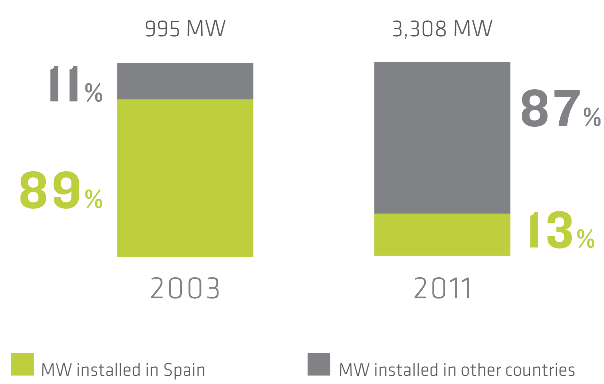
Eighteen years' experience and the installation of over 24,000 MW in thirty-five countries have made Gamesa a global technology leader in the wind industry. The company has manufacturing capacity in the major wind power markets and its medium-term strategy is focused on consolidating its position in target countries and among new customers, innovating in design and technology for new platforms (onshore and offshore), and optimising manufacturing processes and logistics with the aim of setting the benchmark for the lowest Cost of Energy (CoE).

MW SOLD IN 2011

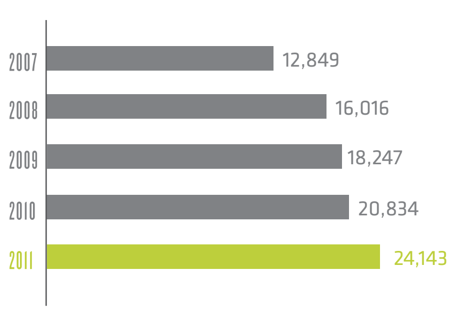
Total: 2,802 MW



MW INSTALLED



MW INSTALLED (CUMULATIVE)



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

Its sales network, distributed in 9 regions with 23 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 addition to its manufacturing facilities in Europe, the US, China and India, in 2011 Gamesa established new facilities in Brazil and expanded its manufacturing base in India in order to respond to growing demand in those markets.

In 2011, Gamesa's wind turbine division evidenced its flexibility and ability to adapt to reduced demand in many markets caused by the global financial situation, which slowed order intake and raised uncertainty in the business in the short term, as well as putting considerable pressure on prices.

Nevertheless, Gamesa progressed along the main vectors of its business: reducing the cost of energy (CoE) by 10-15% (depending on platform and region) by launching new products and services; profitable growth, as MW sold increased by 16.5%, in 23 countries; and efficiency, by adjusting production capacity to demand, localising the supply chain in India and Brazil, and optimising construction and logistics costs.

A diversified global presence

Gamesa maintains its policy of expanding in line with growth markets and matching the growth of its main customers.

In 2011, Gamesa sold 2,802 MW and continued its globalisation process: 92% of sales came from outside Spain. The company also registered record wind turbine deliveries: 3,092 MW (+15%).

Gamesa diversified its presence in 5 geographic areas: sales increased 2.6-fold in India (accounting for 19% of the total) and 3.8-fold in Latin America+Southern Cone (Honduras, Mexico and Brazil; 15% of the total). Europe (excluding Spain) consolidated its contribution (20% of the total), with Eastern Europe (Poland and Romania, in particular) making a notable contribution. China accounted for 23% and the US for 14%. Spain's share was less than 8% for the second consecutive year.

While strengthening sales in regions with considerable wind potential, the company also entered new markets, registering its first sales in New Zealand and Canada.

In 2011, Gamesa installed a record 3,308 MW, 28% more than the previous year. That exceeded the previous record of 3,168 MW installed in a single year, which was set in 2008, and enabled Gamesa to climb to fourth position in the world league table of manufacturers, having gained four positions in a single year.

International markets accounted for 87% of total MW installed in 2012 (22 countries in five continents), compared with 78% in 2010. This increase is particularly significant considering that international markets accounted for just 11% in 2003.

Gamesa consolidated the level of installations in markets where it has a stable presence, and it also assembled its first wind turbines in new markets such as Costa Rica, Cyprus, Sweden and Honduras. In the latter, it completed a turnkey project to build the largest wind farm in Central America: Cerro de Hula, with 102 MW of installed capacity.

Framework agreements, contracts and expanding capacity in Brazil and India

Before the end of the year, Gamesa and Iberdrola signed a new framework agreement under which the utility will buy, for its renewables business, at least 50% of the onshore fleet that it acquires in Spain and other countries between 2013 and 2022 or until it has acquired a total of 3,800 MW, if earlier.

The new framework covers cooperation between the partners in other business areas that are strategic for Gamesa, such as operation and maintenance services (O&M) and offshore wind power:

- Iberdrola will award Gamesa a three-year contract to maintain 1,748.3 MW of its G4X-650 kW and G5X-850 kW wind generators in Spain and Portugal; it will also grant a one-year extension on the existing O&M contract on 2,312 MW of G8X-2.0 MW generators installed in wind farms in Spain and Portugal;

- The agreement establishes that the partners will consider new areas for O&M services, including the US, as well as other programmes to enhance wind generators' reliability and extend their useful lives, and also to convert wind generators;

- In the offshore segment, they will work in close cooperation on new opportunities, such as the development and potential supply of Gamesa wind generators to Iberdrola.

This agreement replaces the one signed by the partners in June 2008. Nevertheless, the rights and obligations under that contract are maintained for the 502 MW of capacity planned for 2012.

Some months earlier, in May 2011, Gamesa announced the signature of a framework agreement with Caparo (now Mytrah) to supply 2,000 MW of wind generating capacity. The agreement, the largest of its type in India to date and one of the largest wind contracts in the world, covers the supply, installation and commissioning of G58-850 kW and G97-2.0 MW wind generators between 2012 and 2016.

Gamesa will produce the new capacity under this agreement at its plants in India. The agreement will also enable it to supply the first G97-2.0 MW turbines in India.

In 2011, Gamesa signed other major agreements, including one with Egypt's New & Renewable Energy Authority (NREA) to supply 200 MW for wind projects in the Gulf of El-Zayt, on the Red Sea; the first contract with China Power Resources, to supply 300 MW; and a contract with Chinese group Huadian to supply 200 MW.

Gamesa also expanded its overseas manufacturing capacity to respond to growing demand in the world's main wind energy markets:

- In July, it inaugurated its first production plant in Brazil, located in Camaçari, in the north-east of Bahia state. The company began wind turbine production in Brazil just six months after announcing plans to establish manufacturing and sales operations and to make Brazil one of its top growth markets in the medium term. The company's strategy in Mercosur focuses on strengthening its position as a leading manufacturer; growing its contract base among local developers, and developing a major commercial, industrial and O&M services network.In 2011, Gamesa had signed agreements to supply 330 MW in Brazil for wind projects to be developed by Iberdrola Renovables and Corporación Inveravante.

- The manufacturing base in India was strengthened by the inauguration of the second plant there; it is the company's first blade plant in Brazil and will manufacture blades for the G5X-850 kW and G9X-2.0 MW platforms. The plant, located in Vadodara (in south-east Gujarat) will mainly supply wind projects in the northern states, such as Gujarat, Rajasthan, Madhya Pradesh and Maharashtra, which have considerable wind potential. Also, Windar, owned 32% by Gamesa, established a tower plant in India in 2011. Gamesa's plans in India will be completed in 2012 with the installation of a new nacelle plant in the state of Tamil Nadu.

Versatile product portfolio

During the year, Gamesa continued working to develop and enhance the features and reliability of its turbine platforms for different types of sites and winds, and it also launched new turbine models to create one of the most versatile product ranges in the market.

The G9X-2.0 MW range combines a 2.0 MW wind generator with 5 different rotor sizes (80, 87, 90, 97 and 114 metres) and several tower heights to offer the most comprehensive option in the market.

The launch of the new platform has begun with commercialisation of the G97-2.0 MW, Class IIIA (the Class IIA will be commercially available in 2012) for low wind sites, which Gamesa expects to account for more than 50% of demand in the 2.0 MW category. The Gamesa G97-2.0 MW has a swept area 16% larger than that of the current G90 and produces nearly 14% more power.

In 2011, Gamesa signed contracts to supply 356 MW of the G97-2.0 MW model in the year of its worldwide launch. Europe was the largest single source of orders: 40% of the total. China accounted for 28% of orders, followed closely by the US, which ordered 94 MW (26.4%) in the period. Orders in India amounted to 10 MW (2.8%), the same as in Canada; this was also Gamesa's first Canadian order.

The platform has been recently rounded out with the new G114-2.0 MW Class IIIA to provide maximum performance at low wind sites. With a rated capacity of 2.0 MW, it has a new 114 metre rotor and a swept area of 10,207 m^2, offering 38% more swept area and 20% more annual power output than the G97-2.0 MW.

The new wind generator is a benchmark in the industry because of its low power density (the lowest in its segment) and it contributes to attaining one of the company's objectives by providing a significant reduction in the Cost of Energy (CoE) of Gamesa Class III products.

The turbine's characteristics make it suitable for growth markets (e.g. India), Chinese provinces close to the big cities (Beijing and Shanghai), areas of Brazil where winds exceed Class III, and low wind areas of Europe and the US.

In 2011, the G128-4.5 MW received the IEC WT 01 Type Certificate from GL Renewables Certification, which provides an independent technology guarantee for the most powerful onshore wind turbine in the market. Certification makes the G128-4.5 MW a bankable turbine, which will facilitate installation of wind farms using this new turbine and will boost the ongoing sales process. Moreover, the G128-4.5 MW prototype installed in Jaulín (Zaragoza) set a record for power production by a single turbine in Spain: 97.34 MWh, with availability of close to 100%.

In March, GL Renewables Certification issued the Type Certificate for the Gamesa G52-850 kW Class I 60 Hz, which is designed for more complex sites: areas with difficult access; high altitudes (even over 3,000 metres); very dusty sites or sites with corrosive environments; and sites subject to considerable seismic activity.

Progress in offshore wind power

Gamesa continued to advance with its offshore wind strategy; in 2012, it decided to commence the paperwork to install the first offshore prototype G128-5.0 MW in the Port of Arinaga (Gran Canaria island, Spain) and signed a declaration of intent with the Port of Leith (Scotland) to establish an offshore industrial base in the UK.

In March 2012, Gamesa announced that it had commenced negotiations with the Port of Leith through the signature of a memorandum of understanding (MoU) to install two production plants (blades and nacelles), port logistics and O&M operations there. Subject to development of the offshore wind market, Gamesa's new offshore industrial base in the UK will create 800 jobs.

Also, following an analysis of sites around the world, Gamesa chose the Port of Arinaga to install its first offshore prototype, based on its technical and wind conditions, as well as on industry trends in the various markets worldwide and customers' investment plans and prospects.

Gamesa plans to assemble this prototype starting in the second quarter of 2013 with a view to obtaining certification in subsequent months, enabling the installation of the pre-series in an offshore wind farm between late 2013 and early 2014. Certification is a priority for Gamesa's offshore programme as a guarantee of the launch, commercialisation and manufacture of its offshore platforms in the coming years.

DEVELOPMENT AND SALE
OF WIND FARMS

In addition to manufacturing wind turbines, Gamesa has also developed wind farms since 1995, enabling it to monetise its pipeline and leverage its expertise in the areas of construction, development and sale of wind projects. Gamesa is a world reference in this market, with 5,000 MW installed and a pipeline of close to 24,000 MW of wind farms at various stages of development in Europe, America and Asia.

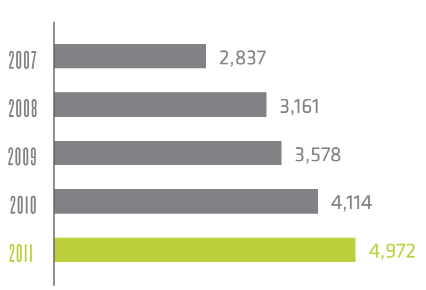
Gamesa's wind farm development division undertakes all the activities associated with wind generation projects, including site identification, wind measurement, obtaining the necessary permits and licenses for wind farm construction and commissioning, final sale of wind farms on a turnkey basis, and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

2011

417 MW	177 MW	734 MW
SALE AGREEMENTS	DELIVERED	UNDER CONSTRUCTION OR COMMISSIONING

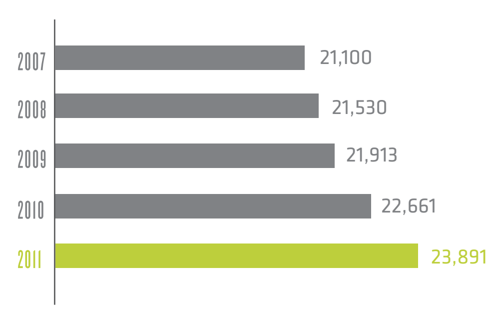
WIND FARM INSTALLED CAPACITY

MW



WIND FARM PIPELINE

MW



This is a vital division for Gamesa, as it provides the company with competitive advantages and complements its wind turbine manufacturing activity.

The company's strategy in this segment is based on steadily building out its pipeline (alone or through alliances with local partners) and monetising 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.

Sale agreements for 417 MW, and 177 MW delivered

In 2011, Gamesa signed new sales agreements totalling 417 MW with some of the world's leading IPPs and investment funds, and delivered 177 MW in Spain, Germany, France, Greece and the US.

The division completed the installation and commissioning of 698 MW in Spain, Greece, Germany, France, Poland, the US and India. Gamesa had 734 MW in the construction and commissioning phases at year-end.

Gamesa was very active building and selling wind farms in 2011, in the US, Greece and Eastern Europe; it continued to strengthen its presence in target markets where it has a long-standing presence, mainly Europe, Mexico and China; and it expanded steadily in emerging markets, mainly India, where it completed installation of a total of 325 MW.

In Greece, Gamesa commissioned three wind farms (Panagia Soumela, Zoodochos Pigi and Viotía), a milestone last attained in 2006. The company was also very active in Eastern Europe, particularly Poland, where it sold 122 MW and currently has a wind farm pipeline of 800 MW at various stages of development, including 152 MW at the final stages of construction or under commissioning at the end of 2011. Elsewhere in Eastern Europe, including Romania and Bulgaria, the company is developing a pipeline of 1,750 MW.

In China, the company signed agreements with utilities Guangdong and Huadian to jointly develop wind projects totalling 600 MW, in the Chinese provinces of Jilin and Inner Mongolia, and another 200 MW with Longyuan.

Strategic deal: sale of 480 MW in the United States

In the United States, Gamesa commissioned 130 MW in Pennsylvania and Iowa, began construction of 150 MW in Texas, and sold the Chestnut Flats wind farm (38 MW). Also in the US, Gamesa signed one of the main deals in the world wind power business early in 2012: the sale of four wind farms, totalling 480 MW, to Canadian utility Algonquin Power, for 900 million dollars (700 million euro).

The projects, located in areas with considerable wind resource in four different states, will comprise 240 G9X-2.0 MW turbines: Pocahontas Prairie (80 MW) in Iowa; Sandy Ridge (50 MW) in Pennsylvania; Senate (150 MW) in Texas; and Minonk (200 MW) in Illinois.

Gamesa is currently developing and building two of these farms, which are scheduled to become operational in 2012: 130 MW had already been commissioned by March 2012.

The deal represents 350 MW in new final orders for Gamesa turbines with delivery scheduled in 2012. Gamesa will also provide operation and maintenance (O&M) services for the 4 wind farms for a 20-year period.

Gamesa and Algonquin also agreed to analyse new opportunities for developing wind energy together in the US and Canada.

Algonquin will have access to Gamesa's pipeline, which has 3,500 MW for construction in the short and medium term in the US, and Gamesa can work on the development of Algonquin's 325 MW pipeline.

The strategic agreement between Gamesa and Iberdrola to develop wind farms concluded in July 2011. However, both companies expect to continue cooperating in the future to strengthen their position in the industry.


Gamesa


Gamesa

SERVICES

Gamesa's end-to-end offering in the wind turbine manufacturing business is complemented by a comprehensive range of operation and maintenance (O&M) services provided by over 2,500 highly-qualified professionals equipped to respond to the need for optimal availability and returns on the 16,300 MW that are under maintenance for more than 150 clients. Gamesa launched new value-added programmes in 2011 to continue to maximise its wind turbine performance while reducing O&M costs.

The O&M services area is key for Gamesa's profitable growth, contributing recurring revenues, improving margins and generating cash flow. O&M services are also essential to value creation in the development, availability and profitability of wind farms.

MW UNDER MAINTENANCE

16,300

MORE THAN

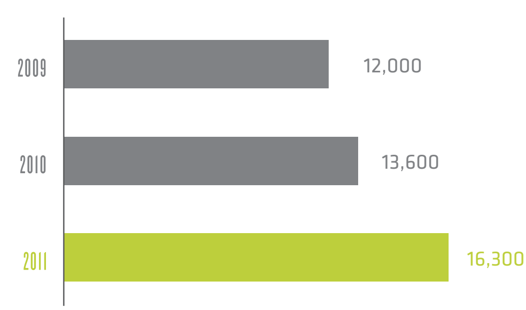
150

CUSTOMERS

2,500

PROFESSIONALS

MW UNDER MAINTENANCE



O&M programmes make a decisive contribution to optimising the Cost of Energy (CoE).

In the current situation, reducing maintenance costs is vital and Gamesa offers the advantage of being both a manufacturer and an O&M service provider. Companies with end-to-end expertise in wind projects—from design and component validation through to manufacturing and maintenance—are better positioned to make design and process improvements in order to:

- optimise wind farm returns by maximising output and availability;

- guarantee a useful life, in optimal conditions, of at least 20 years (generator life cycle), and even extend it through a programme of improvements and adaptations implemented in the final years of the life cycle;

- have the tools and expertise and take the necessary actions to ensure compliance with changes in technical standards or new technical or economic regulations.

Global services network

After expanding its portfolio by 2,700 MW during the year, Gamesa had 16,300 MW under O&M at the end of 2011.

Gamesa provides O&M services via an international network of centres and professionals, using value-added management tools and programmes:

- 39 Regional Operating Centers in 29 European countries (Spain, Portugal, France, Germany, Italy, Ireland, United Kingdom, Sweden, Greece, Poland, Hungary, Bulgaria, Romania, Cyprus and Turkey), the United States, Mexico, Asia (China, India, Japan and Sri Lanka), Africa (Morocco and Egypt), Brazil, Costa Rica, Honduras, Venezuela and New Zealand, which guarantee proximity and permanent availability to the wind farms under maintenance;

- remote control facilities in Spain, the US, and India 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 405 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: Windnet®;

- a proprietary output forecasting system; based on over six years of development and experience in weather analysis, it provides very accurate 7-day forecasts so as to optimise maintenance schedules and tailor them to periods of low wind;

- a satellite-terrestrial network with global coverage;

- an exclusive website for clients with quick customised information and tools dealing with basic aspects of operation and maintenance of wind farms worldwide.

Added value: large components, GPA and useful life extension

As wind turbine manufacturers increase the size and reliability of their turbines with a view to harnessing maximum wind power, new O&M services focusing on reliability are becoming available.

In 2011, Gamesa launched new value-added tools for both proprietary and third-party technology (multitechnology), including:

- Reconditioning large components, which increases the useful life of wind turbines by improving or replacing turbine components (blades, gearboxes, generators) with the latest technology. This maximises turbine performance and, therefore, wind farm productivity, while reducing O&M costs;

- The GPA programme, based on 2 years of analysing improvements in availability and reliability in the 2.0 MW platform, which enables us to optimise the fleet's competitiveness through specific enhancement packages. The results of this programme are now a reality: an improvement of up to 10% in farm opex, with prospects of attaining 99% turbine availability. The new GPA programme is being applied to all new Gamesa turbines;

- Gamesa is working to extend turbine useful lives to up to 30 years of sustained operation by means of preventive and/or corrective actions, and upgrading large components to new specifications throughout the turbine's additional lifespan.

Actions include implementing individual technical audits and customised plans, redesigning components, improving turbine efficiency and performance and keeping operating costs low in the long term.

The programme offers numerous advantages, including stability in operating costs at around the level of a 10-year-old farm, extending a wind farm's useful life, and increasing asset value by between 33% for 5-year-old turbines and up to 100% for 15-year-old turbines. This automatically increases capital and EBIT—with no need for capital expenditure—by spreading depreciation and financial costs over a longer period.

OTHER
BUSINESSES

Gamesa's aim of continued sustainable growth 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 the company's manufacturing arm, taking advantage of its vertical integration and technological capabilities.

TECHNOLOGICAL DIVERSIFICATION

In these operations, Gamesa contributes its market position, its technological, industrial and financial skills and expertise, and its local supply chain to enhance competitiveness and, as a result, to achieve greater financial and strategic returns. In the medium and long term, Gamesa may consider integrating those companies as new business lines, or monetising its stakes in the capital markets.

Six leading technologies of interest

Gamesa has identified six main technologies of interest on which the analysis and investment decisions in international markets is based: wave power (converting tidal currents and waves into energy); next-generation photovoltaic energy (converting the sun's energy into electricity); small wind (wind energy generated from small- and mid-sized turbines); green mobility (electric vehicles); energy efficiency (taking maximum advantage of energy while minimising consumption); and off-grid (small renewable generation units that are not connected to power grids, for use in remote locations).

Through Gamesa Venture Capital fund, the company made its first three transactions in this area in 2011: in off-grid technologies, it acquired stakes in two US companies, SkyBuilt Power and WorldWater & Solar Technologies, and it acquired 20% of Spanish company N2S, which focuses on smart energy management:

- N2S specialises in electric vehicles and energy efficiency, with three tech solutions available, relating to real-time energy management, electric vehicle charging and intelligent communication networks;
- SkyBuilt Power provides solutions in the renewable off-grid market. The company has developed products that combine photovoltaic and mini-wind technologies;
- WorldWater & Solar Technologies offers solutions for the mobile off-grid renewable market, and has developed systems for pumping and purifying water and capturing energy not used for other purposes.

GAMESA ELECTRIC

Gamesa's vertical integration approach and its technological capacity have enabled it to strengthen its position as a global leader in electric power equipment for markets such as photovoltaic, hydroelectric and nuclear, electric traction and marine propulsion, as well as wind.

With 25 years of experience and proprietary technology, Gamesa Electric is a pioneer in the power electronics market, and it has over 80 years' experience in manufacturing electric motors and generators. The company offers end-to-end electric system solutions for wind, photovoltaic, hydroelectric and nuclear energies, electric traction and marine propulsion with cutting-edge systems based on lean manufacturing, either through mass production or responding to the specific needs of its customers worldwide.

Gamesa Electric designs and manufactures the electrical system for a wind turbine (generator, converter, control rooms) using a range of technology. It was also one of the first companies in the world to supply direct drive turbines with full converters, and is a leader in permanent magnet-based generators.

In the photovoltaic segment, it has installed more than 1,500 central inverters and offers cutting-edge technology for large-scale grid-connected solar farms. In 1993, the company designed and manufactured the first 450 kW PV central inverter and the first 100 kW IGBT PV inverter in Europe (which is still in service).

In 2011, it completed its first photovoltaic installation in India, gaining a foothold in a market with significant development potential, while also expanding its operations in China, Eastern Europe and Latin America.

In 2011, Gamesa Electric received orders for hydroelectric projects in Spain, Italy, Turkey and Panama. It also delivered 130 MW in hydroelectric turbines to Spanish, Austrian and Slovenian customers including 45 permanent magnet-based submerged generators for the ASHTA1 project in Albania.

The company also supplied the first of four marine propulsion engines for the S80 submarine, built by Navantia for the Spanish Navy. It has also started to commercialise electric propulsion products for ships, including motors, converters and alternators.

Gamesa Electric is also committed to the electric vehicle segment, with a portfolio of recharging stations which, following Gamesa's acquisition of a stake in N2S, now includes remote management software.

CONSOLIDATED
FINANCIAL STATEMENTS

AUDITOR'S REPORT
ON CONSOLIDATED ANNUAL ACCOUNTS

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

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

We have audited the consolidated annual accounts of Gamesa Corporación Tecnológica, S.A. (Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 2.a, the Directors of the Parent Company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2011 present fairly, in all material respects, the consolidated financial position of Gamesa Corporación Tecnológica, S.A. and its subsidiaries at 31 December 2011 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

On 24 February 2011 other auditors issued their audit report on the consolidated annual accounts for 2010, which expressed an unqualified opinion.

The accompanying consolidated Directors' Report for 2011 contains the explanations which the Parent Company's Directors consider appropriate regarding the Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated Directors' Report is in agreement with that of the consolidated annual accounts for 2011.Our work as auditors is limited to checking the consolidated Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Gamesa Corporación Tecnológica, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Originally signed by Ricardo Celada
Partner
February 23, 2012

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010

Thousands of euros

Assets	Notes	31.12.12	31.12.10 (*)
Non-current assets:			
Intangible assets			
Goodwill	8	387,258	387,258
Other intangible assets	9	230,608	166,802
		617,866	554,060
Property, plant and equipment	10		
Property, plant and equipment in use		400,704	381,217
Property, plant and equipment in the course of construction		51,196	46,532
		451,900	427,749
Investments accounted for using the equity method	11	47,446	45,300
Non-current financial assets	13		
Derivatives		28	-
Investment securities		34,955	31,231
Other non-current financial assets		5,889	77,241
		40,872	108,472
Deferred tax assets	24	255,259	221,854
Total non-current assets		1,413,343	1,357,435
Current assets:			
Inventories	14	1,116,105	843,767
Trade and other receivables	15	1,511,176	1,280,946
Trade receivables from related companies	31	369,532	173,550
Tax receivables	25	284,717	140,024
Other receivables		179,011	113,174
Current financial assets-			
Derivative financial instruments	21	15,090	812
Other current financial assets	13	55,389	16,247
		70,479	17,059
Cash and cash equivalents	16	687,086	1,013,156
Total current assets		4,218,106	3,581,676
Total assets		**5,631,449**	**4,939,111**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 36 and the Appendix are an integral part of the consolidated balance sheet at 31 December 2011.

Equity and liabilities	Notes	31.12.12	31.12.10 (*)
Equity:			
Of the Parent	18		
Share capital		42,039	41,771
Share premium		155,279	155,279
Other reserves		1,456,018	1,411,921
Unrealised asset and liability revaluation reserve		702	(8,537)
Translation differences		7,541	7,216
Treasury shares		(27,541)	(34,188)
Net profit for the year		51,112	50,192
		1,685,150	**1,623,654**
Of non-controlling interests	19	6,948	5,048
Total equity		1,692,098	1,628,702
Non-current liabilities:			
Provisions for contingencies and charges	22	241,745	231,275
Bank borrowings	20	940,791	556,725
Other non-current liabilities	23	43,702	45,363
Deferred tax liabilities	24	84,317	49,089
Derivative financial instruments	21	4,343	5,311
Total non-current liabilities		1,314,898	887,763
Current liabilities:			
Bank borrowings and other financial liabilities			
Bank borrowings	20	408,860	257,479
Derivative financial instruments	21	25,046	24,868
		433,906	**282,347**
Trade and other payables		1,668,961	1,791,652
Trade payables to related companies	31	277,936	113,261
Other payables			
Tax payables	25	145,661	105,728
Other current liabilities		97,989	129,658
		243,650	**235,386**
Total current liabilities		2,624,453	2,422,646
Total equity and liabilities		**5,631,449**	**4,939,111**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 36 and the Appendix are an integral part of the consolidated balance sheet at 31 December 2011.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

Thousands of euros

	Notes	2011	2010 (*)
		(Debit) Credit	
Continuing operations:			
Revenue	28.a	3,026,616	2,735,645
+/- Changes in inventories of finished goods and work in progress		248,167	153,123
Procurements	28.b	(2,314,784)	(2,002,777)
Other operating income	28.a	120,110	95,917
Staff costs	28.c	(354,751)	(295,116)
Other operating expenses	28.d	(361,062)	(359,112)
Depreciation and amortisation charge and provisions	28.e	232,863	(208,674)
Profit from operations		**131,433**	**119,006**
Finance income	28.f	14,757	17,703
Finance costs	28.g	(80,886)	(67,318)
Exchange differences (gains and losses)		27,151	(4,673)
Net loss on disposal of non-current assets	13	2,194	(994)
Net impairment losses	10 & 11	(25,000)	(30,414)
Results of companies accounted for using the equity method	11	146	2,052
Profit before tax from continuing operations		**69,795**	**35,362**
Income tax on profit from continuing operations	26	(18,100)	15,307
Profit for the year from continuing operations		**51,695**	**50,669**
Profit for the year		**51,695**	**50,669**
Attributable to:			
Shareholders of the Parent		51,112	50,192
Non-controlling interests	19	583	477
Earnings per share (in euros)	**34**		
From continuing operations		0.2094	0.2056

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 36 and the Appendix are an integral part of the consolidated income statements for 2011.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

Thousands of euros

	Notes	2011	2010 (*)
Consolidated profit for the year (I)		**51,695**	**50,669**
Income and expense recognised directly in equity			
Arising from cash flow hedges	18.c	6,085	(10,772)
Translation differences	325	11,725	
Tax effect	18.c	(1,825)	3,909
Total income and expense recognised directly in equity (II)		4,585	4,862
Transfers to profit or loss			
Arising from cash flow hedges	18.c	7,429	9,512
Tax effect	18.c	(2,450)	(2,838)
Total transfers to profit or loss (iii)		4,979	6,674
Total comprehensive income (I+II+III)		**61,259**	**62,205**
a) Attributable to the Parent		60,676	61,728
b) Attributable to non-controlling interests	19	583	477

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 36 and the Appendix are an integral part of the consolidated statements of comprehensive income for 2011.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

Thousands of euros

	Share capital	Share premium	Unrealised asset and liability revaluation reserve	Restricted reserves: Legal reserve	Restricted reserves: Revaluation reserve
Balances at 1 January 2010 (*)	**41,361**	**155,279**	**(8,348)**	**8,272**	**1,139**
Total comprehensive income for 2010	-	-	(189)	-	-
Distribution of 2009 profit:					
Other reserves	-	-	-	-	-
Dividend with a charge to 2009 profit	-	-	-	-	-
Scrip dividend and bonus issue (Note 18-a)	410	-	-	-	(410)
Treasury share transactions (Notes 3-o and 18-e)	-	-	-	-	-
2009-2011 incentive plan (Note 18-e)	-	-	-	-	-
Transactions with non-controlling interests (Note 19)	-	-	-	-	-
Translation differences on dividends between Group companies	-	-	-	-	-
Balances at 31 December 2010 (*)	**41,771**	**155,279**	**(8,537)**	**8,272**	**729**
Total comprehensive income for 2011	-	-	9,239	-	-
Distribution of 2010 profit:					
Other reserves	-	-	-	82	-
Dividend with a charge to 2010 profit	-	-	-	-	-
Scrip dividend and bonus issue (Note 18-a)	268	-	-	-	(268)
Treasury share transactions (Notes 3-o and 18-e)	-	-	-	-	-
Incentive plans (Note 18-e)	-	-	-	-	-
Transactions with non-controlling interests (Note 22)	-	-	-	-	-
Balances at 31 December 2011	**42,039**	**155,279**	**702**	**8,354**	**461**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 36 and the Appendix are an integral part of the consolidated statements of changes in equity for 2011.

	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	**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**
	-	-	-	-	325	51,112	583	61,259
	-	-	-	48,439	-	(48,521)	-	-
	-	-	-	-	-	(1,671)	-	(1,671)
	-	-	-	(2,537)	-	-	-	(2,537)
	-	(6,647)	6,647	734	-	-	-	734
	-	-	-	4,294	-	-	35	4,329
	-	-	-	-	-	-	1,282	1,282
	1	**27,541**	**(27,541)**	**1,419,661**	**7,541**	**51,112**	**6,948**	**1,692,098**

CONSOLIDATED STATEMENTS OF CASH FLOWS FROM CONTINUING OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

Thousands of euros

	Notes	2011	2010 (*)
Consolidated statements of cash flows from continuing operations			
Cash flows from operating activities:			
Profit before tax from continuing operations		69,795	35,362
Adjustments for			
Depreciation and amortisation charge and provisions and allowances	9,10,22 & 28.e	232,863	208,674
Incentive plan	18.e & 28.c	4,329	3,315
Finance income and costs	28.f & 28.g	38,832	52,236
Net loss on disposal of non-current assets	13	(2,194)	994
Net impairment losses on assets	10 & 11	25,000	30,414
Changes in working capital:			
Change in trade and other receivables		(550,791)	330,303
Change in inventories		(279,859)	(59,411)
Change in trade and other payables		33,709	248,455
Effect on working capital of changes in consolidation method and/or scope		(613)	93
Effect of translation differences on working capital of foreign companies		26,374	4,907
Provisions used for their intended purpose	22	(78,927)	(85,251)
Income taxes paid		(41,397)	(45,948)
Interest received		8,962	14,764
Net cash flows from operating activities (I)		**(513,917)**	**738,907**
Cash flows from investing activities:			
Acquisition of subsidiaries, net of existing cash items		(4,386)	(6,795)
Investments in intangible assets	9	(91,690)	(46,911))
Investments in property, plant and equipment	10	(141,905)	(91,874)
Investments in other non-current financial assets	13	(7,079)	(13,608)
Investments in other current financial assets		(2,874)	(10,134)
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		1,752	2,651
Proceeds from disposal of non-financial and financial assets		8,261	2,735
Net cash flows from investing activities (II)		**(237,921)**	**(180,186)**
Cash flows from financing activities:			
Equity issue of subsidiaries		1,693	-
New bank borrowings		555,532	302,180
Dividends paid		(4,619)	(10,170)
Interest paid		(72,816)	(51,579)
Cash outflows relating to bank borrowings		(42,274)	(597,057)
Acquisition of treasury shares		734	(2,039)
Net cash flows from financing activities (III)		**438,250**	**(358,665)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		(11,451)	11,662
Effect of changes on cash and cash equivalents and of transfers to assets classified as held for sale (V)		(1,031)	-
Net increase in cash and cash equivalents from continuing operations (I+II+III+IV+V)		(326,070)	211,718
Cash and cash equivalents from continuing operations at beginning of year		1,013,156	801,438
Total cash and cash equivalents from continuing operations at end of year		**687,086**	**1,013,156**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 36 and the Appendix are an integral part of the consolidated statements of cash flows for 2011.

1. Formation of the Group and its activities

The Company Gamesa Corporación Tecnológica, S.A. (hereinafter “the Company” or “GAMESA”) was incorporated as a public limited liability company on 28 January 1976. Its registered office is located at Parque Tecnológico de Bizkaia, Edificio 222, Zamudio (Vizcaya - Spain).

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 companies that form part of the Group are listed in the Appendix.

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 2011 of the GAMESA Group were formally prepared:

- By the directors of GAMESA, at the Board of Directors Meeting held on 22 February 2012.

- 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 consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives)at fair value through profit and loss. The principal accounting policies and measurement bases applied in preparing the GAMESA Group's consolidated financial statements for 2011 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 2011, 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 2011 (IFRSs) could differ from those used by the Group companies when preparing their individual financial statements in accordance with 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 (IFRS).

- The consolidated annual accounts have been prepared on the basis of the Gamesa Corporación Tecnológica, S.A. and Subsidaries accounting records and are presented in compliance with current Spanish Company Law and International Financial Reporting Standards (IFRS).

The consolidated financial statements of the GAMESA Group for 2010 were approved by the shareholders at the Annual General Meeting of GAMESA held on 25 May 2011 and were filed at the Vizcaya Mercantile Registry. The Group's 2011 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 (IFRS)

Standards and interpretations in force in 2011

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 does not result in any change in the related parties or in the information 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 has not given 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 3 - "Business combinations"

Mainly clarifies the following point: The option to measure non-controlling shareholdings at fair value or proportionally in accordance with the net assets of the acquired company is only applicable to instruments that represent stakes in current ownership and grant holders the right to proportionally participate in the distribution of net assets in the event of liquidation. The rest of the components of the non-controlling stake are measured at fair value, unless another basis of measurement is required by IFRS.

IFRS 7 – "Financial Instruments: Disclosures"

The amendments include clarifications relating to disclosures regarding financial instruments, emphasising the interaction between quantitative and qualitative disclosures of the nature and scope of the risk associated with financial instruments.

This amendment was taken into account when preparing the disclosures in the notes to the financial statements.

IAS 27 "Consolidated and separate financial statements"

Clarifies that the following amendments to IAS 21 "Effects of changes in foreign currency exchange rates", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures" resulting from the revision of IAS 27 in 2008 must be applied on a prospective basis.

This amendment was taken into account when preparing the disclosures in the notes to the financial statements.

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

- IAS 32 (Revised), "Classification of the issue of rights".
- IFRIC 14 - "Prepayments of a minimum funding requirement".
- IAS 34 (2010 improvement project) – Interim financial reporting.
- IAS 1 (2010 improvement project) – Presentation of financial statements.

Note 35 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 2011 had not yet come into force.

c) Functional and presentation currency

The accounting records kept by Group companies are measured using the currency of the principal economic environment in which the company operates («functional currency»). The consolidated financial statements are presented in thousands of euro, which is Gamesa Group's functional and presentation currency.

Transactions denominated in currencies other then the euro are recognised in accordance with the policies described in Note 3.l.

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 2010

As required by IAS 1, the information relating to 2011 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2010 and, accordingly, it does not constitute the GAMESA Group's statutory consolidated financial statements for 2010.

f) Basis of consolidation

Subsidiaries

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

Subsidiaries are all entities (including special-purpose companies) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. When assessing whether the Group controls a company, the existence and effects of potential voting rights which may be currently exercised or converted are taken into account. The Group also evaluates the existence of control when it does not hold more than 50% of the voting rights but it is capable of directing the financial and operating policies through de facto control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Joint Ventures

The multi-group companies that GAMESA Group manages together with other companies have been consolidated using the proportional method, in accordance with which the assets, liabilities, expenses and revenues for these companies are consolidated based on the stake held in them by GAMESA Group and are presented in the consolidated balance sheet and consolidated income statement in accordance with their specific nature. However, GAMESA Group has analysed the impact that the entry into force of IFRS 11 "Joint Arrangements" would have as the joint ventures would be consolidated using the equity method (Note 35).

Associated companies

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 between 20% and 50% 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 companies 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).

- Goodwill is initially stated as the excess over the total compensation paid and the fair value of the non-controlling shareholding, if any, over the identifiable net assets acquired and the liabilities assumed. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

- Identifiable assets acquired and liabilities assumed are initially valued at their fair value at the acquisition date.

- At the date each business combination is acquired the buyer will measure the components of non-controlling shareholdings held by the acquiree that constitute current ownership and grant the holder the right to a proportional part of the company's net assets in the event of liquidation, at:
  (a) fair value, or
  (b) the proportional part that the current ownership instruments that represent in the amounts recognised by the acquiree as net identifiable assets.

All other components of non-controlling shareholdings will be measured at their fair value at the date of acquisition, unless IFRS require another basis of valuation.

- The value of non-controlling shareholdings 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.

- Any contingent compensation to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent compensation that is considered to be an asset or a liability are recognised in the income statement or a change in other comprehensive results in accordance with IAS 39. Contingent compensation that is classified as equity is not remeasured and subsequent payment is recorded under equity.

- 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.

- In business combinations achieved in stages, the acquirer remeasures its previously held equity interest in the acquire at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss.

- 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 19).

- 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 investments 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 financial statements of foreign companies were translated to euro using the year-end exchange rate method. This method consists of translating to euro 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.

- 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. Gains that arise on intra-group transactions that are recognised as assets are also eliminated (including transactions with associated companies).

- 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).

g) Changes in the scope of consolidation

The most significant inclusions in the scope of consolidation in 2011 and 2010 were as follows:

Incorporation of new companies

The detail of the main companies incorporated in 2011 is as follows:

Incorporated company	Incorporating company	Interest held by the Group
Eólica San Bartolomé, S.L. (Sole-Shareholder Company)	Gamesa Inversiones Energéticas Renovables, S.C.R. de Régimen simplificado, S.A. (Sole-Shareholder Company)	100%
Jiloca Promociones Eólicas, S.L. (Sole-Shareholder Company)	Gamesa Inversiones Energéticas Renovables, S.C.R. de Régimen simplificado, S.A. (Sole-Shareholder Company)	100%
El Royal Energías Renovables, S.L. (Sole-Shareholder Company)	Gamesa Inversiones Energéticas Renovables, S.C.R. de Régimen simplificado, S.A. (Sole-Shareholder Company)	100%
Gamesa Cyprus Limited	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Energy Sweden AB	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
International Wind Farm Development IV S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
International Wind Farm Development VI S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
International Wind Farm Development VII S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Gamesa New Zeland Limited	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Ger Cerbal S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Ger Independenta S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Ger Jirlau S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Ger Ludus S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Ger Ponor S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Ger Pribeagu S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Ger Bordusani S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Ger Baraganu S.R.L.	Gamesa Energía S.A. (Sole-Shareholder Company) (*)	100%
Osiek Sp. Z o.o.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Dzialdowo Sp. Z o.o.	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Eólica Dos Arbolitos, S.A.P.I. de C.V.	Gamesa Energía, S.A. (Sole-Shareholder Company)	87,5%
Gamesa Azerbaijan LLC	Gamesa Eólica, S.L. (Sole-Shareholder Company) (**)	100%
Gamesa Chile SpA	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Gamesa Dominicana, S.A.S.	Gamesa Eólica, S.L. (Sole-Shareholder Company) (**)	100%
Gamesa Australia PTY, LTD	Gamesa Eólica, S.L. (Sole-Shareholder Company)	100%
Eólica Zopiloapan, S.A.P.I de CV	Gamesa Energía, S.A. (Sole-Shareholder Company)	87.50%
Eólica el Retiro, S.A.P.I. de CV	Gamesa Energía, S.A. (Sole-Shareholder Company)	87.50%
Wind Portfolio Holding, LLC	Gamesa Energy USA, LLC	100%
Wind Portfolio Sponsorco, LLC	Gamesa Energy USA, LLC	100%
Energiaki Maristi (MEPE), S.L. (Sole-Shareholder Company)	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Gamesa Wind South Africa PTY, LTD	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%

(*) Gamesa Energía S.A. holds 95% of the share capital of this Company, while Gamesa Inversiones Energéticas Renovables, S.C.R. de Régimen simplificado, S.A. (Sole-Shareholder Company) hold the remaining 5%.

(**) 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%.

At the end of 2011 the incorporated companies are fully consolidated

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

Incorporated company	Incorporating company	Interest held by the group
Jiling Gamesa Wind Co., Ltd	Gamesa Wind Tianjng Co., Ltd	100%
Inner Mongolia Gamesa Wind Co., Ltd.	Gamesa Wind Tianjng 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%.

Acquisition of new companies

2011

In 2011 the following significant acquisitions were made:

Company acquired	Acquiring company	Interest held by the Group
GM Navarra Wind Energy Private Limited	Gamesa Wind Turbines Private, Ltd	100%
Elecdey Barchín, S.A., Universal	Gamesa Energía, S.A. (Sole-Shareholder Company)	100%
Lingbo SPW AB	Gamesa Energía, S.A. (Sole-Shareholder Company)	80%
Innovación Eólica de Salamanca, S.L.	Gamesa Energía, S.A. (Sole-Shareholder Company)	78%
Kintech Santalpur Windpark Private Limited	Gamesa Wind Turbines Pvt. Ltd.	49.02%
New Broadband Network Solutions, S.L.	Gamesa Corporación Tecnológica, S.A.	18.81%

The acquired companies are consolidated using the full consolidation method, except for Kintech Santalpur Windpark Private Limited which are consolidated using the proportional method and New Broadband Network Solutions, S.L. which is consolidated using the equity method (Note 11).

The compensation transferred including, if appropriate, the contingent compensation to be transferred by all companies acquired in 2011 totals EUR 4,996 thousand.

The effect of these changes in the scope of consolidation in 2011 on the consolidated revenue and profit for 2011 was not significant. If the acquisitions had taken place on 1 January 2011, the Group's revenues would not have been affected in any significant way.

The companies consolidated using the full consolidation method over which GAMESA exercises control have been recognized using the acquisition. The following table summarizes the fair values of the acquired assets, the liabilities assumed and non-controlling shareholdings held by these companies at the acquisition date:

	Thousands of euros		
	Carrying amount at the date of acquisition	**Fair value adjustments (Note 3.c)**	**Fair value**
Net assets acquired::			
Inventories	3,200	3,188	6,388
Cash	14	-	14
Other current assets	2,083	-	2,083
Total assets	**5,297**	**3,188**	**8,485**
Deferred tax liability	-	729	729
Trade and other payables	4,709	-	4,709
Total liabilities	**4,709**	**729**	**5,438**
Non-controlling shareholdings	51	-	51
Total acquisition cost	**537**	**2,459**	**2,996**

In the event that the company Innovación Eólica de Salamanca, S.L. attains certain milestones, the Group will have to pay additional compensation in cash up to a maximum amount of EUR 624 thousand. At 31 December 2011 the Group estimates that the amount of the compensation will reach the maximum amount and a liability totalling EUR 624 thousand was recognized at 31 December 2011.

2010

In 2010 the following significant acquisitions took place:

- 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 proceeding 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 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 was 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 was 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 could be exercised up to 30 months after the signing of the Provisional Acceptance Certificate ("PAC") of the two companies and would 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 could be exercised up to one year following the signing of the PAC and would 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	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 acquires. 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.

Exclusions from the scope of consolidation

2011

In 2011 the most significant exclusions from the scope of consolidation of the GAMESA Group were as follows:

Company	Activity	Registered address	%
Sistemas Energéticos Almodóvar del Río, S.L.	Energy production from photovoltaic sources	Vizcaya	100%
Eoliatec del Istmo Sapi de CV	Wind farm operation	Mexico	50%
Eoliatec del Pacífico Sapi de CV	Wind farm operation	Mexico	50%
Windfarm Wanlo/ Mönchengladbach GmbH	Wind farm operation	Germany	100%
Energiaki Polimilou, S.A.	Wind farm operation	Greece	100%
Sistemas Energéticos Alto do Seixal, S.A. (Sole-Shareholder Company)	Wind farm operation	Vizcaya	100%
SAS SEPE de la Nelausa	Wind farm operation	France	100%
SAS SEPE D'Aussac Vadalle	Wind farm operation	France	100%
Windfarm Hiddels II / Ellenserdamm GmbH	Wind farm operation	Germany	100%
Windfarm Riedener Berg GmbH	Wind farm operation	Germany	100%
Chestnut Flats Wind, LLC	Wind farm operation	United States	100%
Sistemes Energetics Conesa I, S.L. (Sole-Shareholder Company)	Wind farm operation	Vizcaya	100%

- On 9 April 2011 the Group sold its stake in the companies Eoliatec del Istmo Sapi de CV and Eoliatec del Pacífico Sapi de CV, as Eolia exercised its call option for 50% of the shares in those companies and Eolia subrogated to the proportional part of the credit rights granted by GAMESA to those companies deriving from the inter-company loan agreements covering amounts totaling EUR 3,882 thousand and EUR 5,022 thousand, respectively.

  Accordingly, since that date the cross options that GAMESA and Eolia had granted were cancelled

  The capital gains obtained on the sale of these shareholdings totalled EUR 54 thousand and EUR 35 thousand, respectively

- 30 December 2011 Agreement Was Reached to Sell the Stake Held in the Company Sistemas Energéticos Almodóvar del Río, S.L. (Sole-Shareholder Company), in which Gamesa Group held an interest through its subsidiary Gamesa Eólica, S.L. (Sole-Shareholder Company). The amount of the consideration to be received by the Group totals approximately EUR 58 million. This amount is net of the adaptation expenses that are necessary as a result of the entry into force of RD 1565/2010 (19 November) estimated by the Company to total approximately EUR 3 million. This consideration may be adjusted by the definitive results of the due diligence in progress.

  At 31 December 2011 the total amount of this transaction is outstanding and is recognized under the heading "Other receivables" in the consolidated balance sheet at that date. If the total price is not received on or before 9 March 2012 the purchase agreement will automatically terminate (termination condition) and be null and void. The Group believes that the price will be received within the est. deadline. In any event, the hypothetical termination of the agreement would not have any impact whatsoever on consolidated equity or on the Group's total assets.

  Gamesa recorded a profit on the transaction totaling EUR 3.1 million (recognized in the heading "Results on the disposal of non-current assets" in the consolidated income statement for 2011).

  Among other things, the transaction has given rise to an elimination of property, plant and equipment for a net amount of EUR 66,859 thousand and a provision for property, plant and equipment totaling EUR 12,500 thousand (Note 10).

- The other exclusions from the scope of consolidation relate to wind farms that were disposed of in 2011 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 2011, 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.

2010

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

Company	Activity	Registered address	%
Sistemas Energéticos La Estrada, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos La Retuerta, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Las Cabezas, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos La Tallisca, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos El Centenar, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Majal Alto, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Valdefuentes, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos El Saucito, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Mesa De Ocaña, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos De La Camorra, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Pontenova, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Mondoñedo Pastoriza, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Parco Eólico San Francesco S.R.L.	Wind farm operation	Italia	100%
Anqiu Taipingshan Wind Power Co. Ltd.	Wind farm operation	China	90%
Yishui Tangwangshan Wind Power Co. Ltd.	Wind farm operation	China	100%
Jianping Shiyingzi Wind Power Co. Ltd.	Wind farm operation	China	100%
Wendeng Zhangjiachan Wind Power Co. Ltd.	Wind farm operation	China	100%
Windfarm 36 GmbH	Wind farm operation	Germany	100%
EBV WP Nr 28 GmbH & Co.KG	Wind farm operation	Germany	100%
Blitzstart GmbH	Wind farm operation	Germany	100%
Kristall 31 GmbH	Wind farm operation	Germany	100%
Magnet 131 VV GmbH	Wind farm operation	Germany	100%
Piecki Sp. Zoo	Wind farm operation	Poland	100%
Societe d'exploitation parc éolien de la Bouleste	Wind farm operation	France	100%
BII NEE Stipa Energía Eólica	Wind farm operation	Mexico	74.82%
Sistemes Energetics Conesa II, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemes Energetics Savalla Del Comtat, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Los Lirios, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%
Sistemas Energéticos Alto del Abad, S.A. (Sole-Shareholder Company)	Wind farm operation	Spain	100%

The Chinese companies Anqiu Taipingshan Wind Power Co. 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 11).

The other companies related to wind farms that were disposed of in 2010 whose net assets were 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.

Changes in the shareholdings of subsidiaries

- On 14 March 2011, GAMESA acquired 2.5% of Gesacisa Desarrolladora S.A. de C.V., thereby raising its stake in that company to 87.5% through Gamesa Energía, S.A. (Sole-Shareholder Company). This Mexican company engages in the promotion of wind farms and was incorporated on 26 August 2010. The acquisition represented an increase in the investment totaling EUR 1 thousand.

- On 14 March 2011, GAMESA acquired 2.5% of Stipa Nayaa, Sociedad de Capital Variable, thereby raising its stake in that company to 87.5% through Gamesa Energía, S.A. (Sole-Shareholder Company). This Mexican company engages in the operation of wind farms and was incorporated on 26 November 2010. The acquisition represented an increase in the investment totaling EUR 1 thousand.

Other corporate transactions

2011

In 2011 there were no changes in the methods used to consolidate the companies which form part of the GAMESA Group.

Also, in 2011 the following significant corporate transaction took place:

- On 29 December 2011 a merger took place through which SS.EE. Quiñoneria, S.A. and SS.EE. Sierra del Costanazo, S.A. were merged into SSEE La Jimena, S.A. The shareholders of the three companies involved in all cases were Gamesa Energía, SA (Sole-Shareholder Company) with 60% of the shares and Eólica Navarra, SL (Sole-Shareholder Company), and therefore the only change in GAMESA Group was the concentration of the shareholdings of two companies into a single third company.

2010

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.i) 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. 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 17) 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 and assembly 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 plus the relevant margin 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 17).

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 euro 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.f).

d) Other 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 the account "Other Operating Income - Group Work on Non-Current Assets" in the consolidated income statement (see Note 28-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 in general 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 between five and seven years (see Note 9). The production unit method of depreciation is used when the financial reality shows that this method most reliably reflects the expected pattern of consumption of the future financial benefits deriving from the asset. This is the case for the wind turbine G10x model project.

Concessions, patents, licences, trademarks and similar

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.

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. The costs of maintaining computer systems are charged against the consolidated income statement in 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.

e) 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 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 the account "Other Operating Income - Group Work on Non-Current Assets" in the consolidated income statement (see Note 28.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 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.

f) 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, 8 and 9).

The recoverable amount is the higher of market 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 9% and 11% (2010:between 8% and 11%), 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.

g) Inventorie

"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, and none is any foreseen, 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.

h) Financial assets and liabilities

Financial assets

Investments are recognized initially at fair value plus the transaction costs for all financial assets not carried at fair value through changes in profit or loss Financial assets stated at fair value through changes in profit and loss are initially recognized at their fair value and the transaction costs are expensed in the income statement.

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 2011 and 2010, the impact of these financial instruments on the accompanying consolidated financial statements is not material (see Note 20).

- 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 2011 and 2010, 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 2011 and 2010 (see Note 12).

Management of the GAMESA Group decides on the most appropriate classification for each asset on acquisition and reviews the class fication 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 2011 and 2010 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

	Fair value at 31 December 2011			
	Thousands of euros			
	Category 1	**Category 2**	**Category 3**	**Total**
Non-current financial assets				
Derivative financial instruments (Note 21)	-	28	-	28
Current financial assets				
Derivative financial instruments (Note 21)	-	15.090	-	15.090
Non-current liabilities				
Derivative financial instruments (Note 21)	-	(4.343)	-	(4.343)
Current liabilities				
Derivative instruments (Note 21)	-	(25.046)	-	(25.046)
	-	**(14.271)**	**-**	**(14.271)**

	Fair value at 31 December 2010			
	Thousands of euros			
	Category 1	**Category 2**	**Category 3**	**Total**
Current financial assets				
Derivative financial instruments (Note 21)	-	812	-	812
Non-current liabilities				
Derivative financial instruments (Note 21)	-	(5,311)	-	(5,311)
Current liabilities				
Derivative financial instruments (Note 21)	-	(24,868)	-	(24,868)
	-	**(29,367)**	**-**	**(29,367)**

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.

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 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 16).

Bank borrowings:

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 20).

Trade creditors

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 21)

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 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.

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.

Disposal 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 2011 that were derecognised by the Group, amounted to EUR 415 million (31 December 2010: EUR 743 million). The average amount of factored receivables in 2011 was EUR 281 million (2010: EUR 414 million).

An exchange of debt instruments between a lender and borrower, provided that the instruments have substantially different conditions, will be recognized as the cancellation of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the current conditions governing a financial liability or a portion thereof (regardless of whether or not it is attributable to financial difficulties affecting the debtor) is recognised as a cancellation of the original financial liability and a new financial liability is recognised (Note 20).

i) 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 2011 and 2010, 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 2011 and 2010 no lines of business were discontinued.

j) 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.

k) Segment reporting

Reporting on operating segments is presented in accordance with the internal information that is provided to the maximum decision-taking authority. The maximum decision-taking authority has been identified, and is responsible for assigning resources and evaluating performance of operating segments, as the Board of Directors which is in charge of taking strategic decisions.

l) Transactions denominated in foreign currencies

l.1. Group companies

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.

l.2. Transactions and balances

Transactions in a currency other than the functional currency of the GAMESA Group companies are translated to euro 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 21.

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 2011 and 2010 is as follows:

	Equivalent value in thousands of euro			
	2011		2010	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Pound sterling	-	926	55	312
US dollar	157,560	499,164	345,058	126,574
Japanese yen	495	818	162	31
Egyptian pounds	13,550	2,896	13,181	495
Chinese yuan	104,450	158,684	164,779	55,070
Polish zlotys	11,434	38,266	6,616	12,152
Indian rupees	38,052	161,616	41,366	86,176
Other currencies	80,850	22.764	28,976	28,053
Total	**406,391**	**885,134**	**600,193**	**308,863**

The detail of the main foreign currency balances, based on the nature of the items concerned, is as follows:

	Equivalent value in thousands of euro			
	2011		2010	
Nature of the balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trade receivables (Note 15):	242,686	-	177,554	-
Cash and cash equivalents (Note 16)	163,705	-	422,639	-
Payable	-	470.959	-	135,978
Bank borrowings (Note 20)	-	414,175	-	172,885
Total	**406,391**	**885,134**	**600,193**	**308,863**

m) 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 2011 and 2010 includes EUR 539 thousand and EUR 163 thousand, respectively, in this connection (see Note 28.a).

n) 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.

ñ) 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 tax group's parent company 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., Gamesa Innovation and Technology, S.L. (Sole-Shareholder Company) and Estructuras Metálicas Singulares, S.A. (Sole-Shareholder Company) have filed consolidated tax returns pursuant to Navarre Corporation Tax Regulation 24/1996, of 30 December.

Foreign companies and the rest of the Spanish companies that are not taxed under tax consolidation, 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.

However, if the deferred taxes arise from the initial recognition of an asset or liability on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are recognised.

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 24).

Deferred income tax is provided on temporary differences arising on subsidiary's undistributed profits, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

o) 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 18-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.

p) 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 22).

Court proceedings and/or claims in progress

At 31 December 2011, 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 22).

At 31 December 2011 and 2010, there were no significant contingent liabilities or provisions that had not been recognised or disclosed in these consolidated financial statements.

q) 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 2011 and 2010 includes EUR 3,476 thousand and EUR 1,496 thousand, respectively, relating to termination benefits (see Note 28.c).

The GAMESA Group has not taken any decision under which any significant dismissals or terminations will arise in the future and, accordingly, no provision was recorded in this connection in the accompanying consolidated balance sheet at 31 December 2011.

r) Share-based payments

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 and credited to equity (see Note 18.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 18-e).

If a concession of equity instruments is cancelled or liquidated during the period in which the concession is irrevocable (for a reason other than cancellation for failure to comply with the conditions for its irrevocable nature), Gamesa Group recognises the cancellation or liquidation as an acceleration of the consolidation of rights and, accordingly, will immediately recognise the amount in accordance with the preceding paragraphs that other wise would have been recognised for the services received over the course of the period remaining for complying with the conditions.

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

s) 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.

There have been no significant monetary transactions in 2011 and 2010.

t) 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 2011 and 2010 coincided with diluted earnings per share, since there were no potential shares outstanding in those years (see Note 34).

u) 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.

v) Interest costs

General and specific interest expense directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily require a substantial period of time to be prepared for use or sale, the cost of those assets is added, up until the time at which they are substantially prepared for use or sale.

Financial income obtained on the temporary investment of specific loans until used on qualifying assets is deducted from the interest expense that may be capitalised.

All other interest expenses are recognised in the income statement in the year in which they are incurred.

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. Part of its revenues and its expenses are denominated in US dollars, Indian rupees, Chinese yuan and, to a lesser extent, other currencies apart from the euro. Therefore, to the extent that GAMESA Group does not use financial instruments or other hedging strategies 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 Group's risk management policy is to cover around 25% of projected cash flows (mainly exports and purchases of inventory) in each principal currency in the following 12 months.

The main foreign currency balances at 31 December 2011 and 2010 are detailed in Note 3.l to the accompanying notes to the consolidated financial statements.

The instruments used to hedge against this risk are basically exchange rate swaps (see Note 21).

The following table shows the effects on profit and loss and equity of changes in exchange rates at the year end for the Group's most significant currencies:

		Thousands of euros – Debit / (Credit) (*)			
		5% devaluation of the euro		5% appreciation of the euro	
Currency	**Exchange rate at 31.12.11**	**Impact on profits before taxes**	**Impact on equity before taxes**	**Impact on profits before taxes**	**Impact on equity before taxes**
US dollar	1.2939	(505)	2,582	505	(2,582)
Chinese yuan	8.1588	604	(8,553)	(604)	8,553
Indian rupees	68, 6625	8	(3,958)	(8)	3,958

		Thousands of euros – Debit / (Credit) (*)			
		5% devaluation of the euro		5% appreciation of the euro	
Currency	**Exchange rate at 31 December 2010**	**Impact on profits before taxes**	**Impact on equity before taxes**	**Impact on profits before taxes**	**Impact on equity before taxes**
US dollar	1.3362	6,946	(1,453)	(6,389)	1,597
Chinese yuan	8.8220	2,636	5,444	(2,507)	(5,573)

(*) Negative impact on profits and equity and positive reductions in equity.

b) Market risk (price)

The price risk considered by the Group is related to the price of raw materials that the Group mitigates, in general, transferring the risk to customers through sales contracts.

c) Market risk (interest rate)

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 loans issued at variable rates expose the Group to cash flow interest rate risk, which is partially offset by the cash maintained at variable rates. Fixed interest rate loans expose the Group to fair value interest rate risks. The Group's policy is to maintain 100% of its financing at variable rates and to obtain interest rate hedges for approximately 50% of the nominal amount of its main sources of long-term financing.

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 21).

The debt structure at 31 December 2011 and 2010, drawing a distinction between fixed and floating rate borrowings (see Note 20), is as follows:

	Thousands of euros			
	2011		2010	
	Excluding hedges	**Including hedges**	**Excluding hedges**	**Including hedges**
Fixed rate	-	574,394	-	460,000
Floating rate	1,349,651	775,257	814,204	354,204

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

The sensitivity of results and equity to changes in interest rates, taking into consideration the effect of the interest rate hedging derivatives, is as follows:

	Thousands of euros – Debit / (Credit) (*)			
	Change in the interest rate -0.25% on the euro		Change in the interest rate +0.25 on the euro	
	Impact on profits before taxes	**Impact on equity before taxes**	**Impact on profits before taxes**	**Impact on equity before taxes**
2011	(1,561)	20	1,561	(20)
2010	(1,613)	2	1,613	(2)

(*) Negative impact on profits and equity and positive reductions in equity.

d) 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 2011 the GAMESA Group had an average of unused credit facilities equal to approximately 38.67% of the bank financing drawn down (2010: 62.26%).

e) Credit risk

The GAMESA Group is exposed to credit risk to the extent that a counterparty or customer does not meet its contractual obligations. Products and services are sold to customers that have an appropriate and adequate credit history with respect to which solvency analyses are established.

In addition, GAMESA Group's customer portfolio is mainly made up of large electric companies with high credit ratings. For customers with no credit rating and 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.

The analysis of the age of financial assets outstanding for which no provision whatsoever has been deemed necessary at 31 December 2011 and 31 December 2010 is as follows:

	Thousands of euros	
	2011	**2010**
Less than 90 days	62,626	80,127
90 – 180 years	38,345	13,022
More than 180 days	57,430	66,846
Total	**158,401**	**159,995**

The credit quality of cash and other cash equivalents at 31 December 2011 is as follows:

	Thousands of euros
A	93,076
A+	345,923
AA-	75,824
BBB	107,018
BBB-	3,709
BBB+	61,536
Total	**687,086**

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.f, 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, 10 and 13.b).

- 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.p and 22).

- The GAMESA Group made certain assumptions in order to calculate the liability arising from obligations to employees (see Notes 3.r and 18.e) The fair value of those financial instruments granted as share-based payments that are not traded in an active market is determined by using measurement techniques. The Group uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. Changes in these assumptions would not have a significant impact on these consolidated financial statements.

- 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 15).

- At each year-end the GAMESA Group estimates its contingent liabilities (see Notes 3.p and 22).

- The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognizes liabilities for potential tax claims based on an estimation of whether or not additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognized, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise.

- 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.

Although these estimates were made on the basis of the best information available at 31 December 2011 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 proposal for distributing 2011 net profits by Gamesa Corporación Tecnológica, S.A. that the Board of Directors will present to shareholders at a General Meeting for approval, calculated in accordance with Spanish accounting legislation applicable to the Company's individual financial statements, is as follows:

	Thousands of euros
Basis of distribution:	
Profit for the year	57,685
	57,685
Distribution:	
To legal reserve	54
To voluntary reserves	55,949
Dividend	1,682
Total	**57,685**

In addition, at the date of authorisation for issue of these consolidated financial statements, as in the previous year (Note 18.a), 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 2012. 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 (Note 18.a), 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 is also presented 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").

a) Revenue

The breakdown, by segment, of consolidated revenue for the years ended 31 December 2011 and 2010 is as follows:

	Thousands of euros	
Segment	**2011**	**2010**
Manufacturing	2,864,974	2,597,135
Generation	532,069	428,871
Consolidation adjustments	(370,427)	(290,361)
REVENUES	**3,026,616**	**2,735,645**

b) Net profit

The breakdown, by segment, of the contribution to the profit after tax for the years ended 31 December 2011 and 2010 is as follows:

	Thousands of euros	
Segment	**2011**	**2010**
Manufacturing	61,043	63,772
Generation	926	(5,252)
Consolidation adjustments	(10,857)	(8,328)
PROFIT ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS	**51,112**	**50,192**

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 2011 and 2010 is as follows (see Notes 9 and 10):

	Thousands of euros			
	2011		2010	
	Other intangible assets	**Property, plant and equipment**	**Other intangible assets**	**Property, plant and equipment**
Manufacturing	91,363	137,292	46,879	81,334
Generation	3,27	4,613	32	10,540
INVESTMENT IN ASSETS	**91,690**	**141,905**	**46,911**	**91,874**

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 2011 and 2010 is as follows:

	Thousands of euros	
Segment	**2011**	**2010**
Manufacturing	223,577	210,169
Generation	9,286	(1,495)
DEPRECIATION AND AMORTISATION CHARGE AND PROVISIONS	**232,863**	**208,674**

e) Assets and liabilities

The detail, by segment, of the assets and liabilities at 31 December 2011 is as follows:

	Thousands of euros			
	Manufacturing	**Generation**	**Consolidation adjustments**	**Total at 31.12.11**
Property, plant and equipment and other assets Intangible assets	663,438	19,070	-	682,508
Goodwill and other non-current assets	604,330	126,505	-	730,835
Current assets	3,773,831	1,257,816	(813,541)	4,218,106
Total Assets	**5,041,599**	**1,403,391**	**(813,541)**	**5,631,449**
Equity	1,376,201	356,076	(40,179)	1,692,098
Bank borrowings	1,115,990	233,661	-	1,349,651
Other non-current liabilities	346,499	27,608	-	374,107
Other current liabilities	2,202,909	786,046	(773,362)	2,215,593
Total liabilities and Equity	**5,041,599**	**1,403,391**	**(813,541)**	**5,631,449**

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 31.12.10
Property, plant and equipment and other assets Intangible assets	582,127	12,423	1	594,551
Goodwill and other non-current assets	647,318	115,565	1	762,884
Current assets	3,331,541	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	700,574	113,630	-	814,204
Other non-current liabilities	321,207	9,831	-	331,038
Other current liabilities	2,301,833	843,302	(979,968)	2,165,167
Total liabilities and Equity	**4,560,986**	**1,385,767**	**(1,007,642)**	**4,939,111**

f) Net bank borrowings and Ebitda

In accordance with the calculation and classification criteria used in the Group's management information:

- Wind turbine Manufacturing Segment
  - EBITDA 2011: 340 million euros
  - EBITDA 2010: 338 million euros
  - Net bank borrowings 31.12.2011: 273 million euros
  - Net bank borrowings 31.12.2010: (405) million euros
- Generation Segment
  - Bank borrowings 2011: 438 million euros
  - Bank borrowings 2010: 196 million euros

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 2011 and 2010 is as follows:

	31.12.11		31.12.10	
Geographical area	**Thousands of euros**	**%**	**Thousands of euros**	**%**
Spain	261,901	8.7%	309,673	11.4%
Rest of Europe	661,715	21.9%	902,317	32.9%
United States	410,544	13.6%	723,322	26.4%
China	669,749	22.1%	357,625	13.1%
India	530,020	17.5%	189,017	6.9%
Rest of the world	492,687	16.2%	253,691	9.3%
TOTAL	**3,026,616**	**100.0%**	**2,735,645**	**100.0%**

b) Total assets

The detail, by geographical segment, of the total assets at 31 December 2011 and 2010 is as follows:

	31.12.11		31.12.10	
Geographical area	**Thousands of euros**	**%**	**Thousands of euros**	**%**
Spain	2,473,311	43.9%	2,609,306	52.8%
Rest of Europe	790,683	14.0%	502,147	10.2%
United States	1,044,616	18.6%	1,037,863	20.9%
China	559,678	9.9%	343,604	7.0%
India	382,377	6.8%	170,498	3.5%
Rest of the world	380,784	6.8%	275,693	5.6%
TOTAL	**5,631,449**	**100.0%**	**4,939,111**	**100.0%**

c) Investment in assets

The detail, by geographical segment, of the investments in property, plant and equipment and other intangible assets in 2011 and 2010 is as follows:

	31.12.11		31.12.10	
Geographical area	**Thousands of euros**	**%**	**Thousands of euros**	**%**
Spain	157,618	67.5%	105,065	75.7%
Rest of Europe	3,196	1.4%	462	0.3%
United States	19,691	8.4%	8,494	6.1%
China	15,018	6.4%	20,407	14.8%
India	33,876	14.5%	4,315	3.1%
Rest of the world	4,196	1.8%	42	-
TOTAL	**233,595**	**100.0%**	**138,785**	**100.0%**

8. Goodwill

The changes in "Goodwill" in the consolidated balance sheets in 2011 and 2010 were as follows:

	Thousands of euros			
2011	**Balance at 31.12.10**	**Additions**	**Disposals**	**Balance at 31.12.11**
Manufacturing segment	312,500	-	-	312,500
Generation segment	74,758	-	-	74,758
	387,258	**-**	**-**	**387,258**

	Thousands of euros			
2010	**Balance at 31.12.09**	**Additions**	**Disposals**	**Balance at 31.12.10**
Manufacturing segment	312,500	-	-	312,500
Generation segment	74,758	-	-	74,758
	387,258	**-**	**-**	**387,258**

Goodwill originated in euro.

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 cash generating unit 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% (2010: 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 managed jointly by the management of GAMESA regardless of the geographic location of the promotion and installation activity, based on availability and efficiency criteria.

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 unit, which stand at between 9% and 11% (2010: 8% and 11%).

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

- Gradual improvement in the MW sold in the coming years, attaining a level of 4,000 MW in 2013.

- Appearance of new products and improvements to existing ones, and penetration of emerging markets such as Brazil and Mexico and consolidation in the US, China and India.

- Reduction in average income per MW in 2012, 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.

Based on the estimates and projections available to the directors of GAMESA, the income forecasts attributable to each of the cash generating unit 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. In addition, from a perspective of analysing sensitivity, GAMESA Group has applied sensitivity calculations to the results of this impairment test consisting of changes in the following key assumptions:

- MW sold in coming years.

- Average revenues per MW.

The results of the analysis carried out show that 10% downward changes in the aforementioned assumptions, considered on an individual basis, and 10 basis point increases do not give rise to a need to recognise any impairment whatsoever.

Goodwill allocated to the "Generation" segment

The amount of goodwill assigned to the development, promotion and sale of wind farms segment (Note 7) recoverable from the entire associated cash generating unit has been evaluated based on a hypothetical portfolio of farm promotions valued at approximately 24,500 MW.

The methodology used to estimate the recoverable value of these cash generating unit from the segmenting of the promotion portfolio into various categories, is fundamentally based on the maturity of the projects making up the development and the assignment of success probabilities to each segment.

These probabilities have been obtained from internal business information (basically past experience accumulated over the course of the years operating in the sector), compared with habitual practices in the sector.

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. The estimate of the price applicable to each future MW is based on the measurement method for a wind farm. In general terms, the selling price for wind farms may be estimated by applying a multiple or index per estimated MWh that will be produced in a year, which is based on transactions concluded by GAMESA in the various countries in which it promotes wind farms. An index is used for each country in accordance with the specific characteristics of, among other things, the wind energy rate or operating expenses and the maintenance in each geographic location. Furthermore, an estimate of the necessary investment for the promotion, construction and launch of a wind farm is used, which is based on internal business information that is obtained by also making a distinction among the various countries in which GAMESA operates. As estimate is made for the margin that Gamesa will obtain on the sale of a project in a certain country by multiplying the aforementioned index by the expected wind resources for the project concerned, subtracting the estimated investment in the farm.

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 9% and 11% (2010: 8% and 11%).

Based on the estimates and projections available to the directors of GAMESA, the income forecasts attributable to each of the cash generating unit 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. In addition, from a perspective of analysing sensitivity, GAMESA Group has applied sensitivity calculations to the results of this impairment test consisting of changes in the following key assumptions:

- MW in portfolio
- Price per MW
- Success probabilities assigned to each segment.

The results of the analysis carried out show that 10% downward changes in the aforementioned assumptions, considered on an individual basis, and 10 basis point increases do not give rise to a need to recognise any impairment whatsoever.

9. Other intangible assets

The changes in "Other Intangible Assets" in the consolidated balance sheet in 2011 and 2009 were as follows:

	Thousands of euros				
	Development expenses	**Concessions, patents, licences, trademarks and similar**	**Computer software**	**Advances**	**Total**
Cost					
Balance at 01.01.10	**242,120**	**22,227**	**35,594**	**2,767**	**302,708**
Additions	39,221	-	2,677	5,013	46,911
Disposals	-	-	(73)	-	(73)
Differences on exchange	(3)	13	14	-	24
Transfer from assets classified as held for sale	58	-	4,319	(4,321)	56
Balance at 31 December 2010	**281,396**	**22,240**	**42,531**	**3,459**	**349,626**
Additions	68,112	6,544	10,616	6,418	91,690
Disposals	(38)	-	(506)	-	(544)
Differences on exchange	738	(342)	50	-	446
Transfer	1,145		5,536	(5,556)	1,125
Balance at 31.12.11	**351,353**	**28,442**	**58,227**	**4,321**	**442,343**
Depreciation					
Balance at 1 January 2010	**(118,853)**	**(12,364)**	**(18,946)**	**-**	**(150,163)**
Charge for the year (Note 28.e)	(23,943)	(3,133)	(5,593)	-	(32,669)
Differences on exchange	-	(2)	(6)	-	(8)
Disposals	-	-	72	-	72
Transfer from assets classified as held for sale	(68)	-	12	-	(56)
Balance at 31 December 2010	**(142,864)**	**(15,499)**	**(24,461)**	**-**	**(182,824)**
Charge for the year (Note 28.e)	(18,424)	(3,131)	(7,307)	-	(28,862)
Differences on exchange	(35)	1	(16)	-	(50)
Disposals	38	-	-	-	38
Transfers	(27)	-	(10)	-	(37)
Balance at 31 December 2011	**(161,312)**	**(18,629)**	**(31,794)**	**-**	**(211,735)**
Impairment losses					
Balance at 1 January 2010	**-**	**-**	**-**	**-**	**-**
Impairment loss recognised in the year					
Amounts used	-	-	-	-	-
Balance at 31 December 2010	**-**	**-**	**-**	**-**	**-**
Impairment loss recognised in the year	-	-	-	-	-
Amounts used	-	-	-	-	-
Balance at 31 December 2011	**-**	**-**	**-**	**-**	**-**
Total other intangible assets at 31.12.10	**138,532**	**6,741**	**18,070**	**3,459**	**166,802**
Total other intangible assets at 31.12.11	**190,041**	**9,813**	**26,433**	**4,321**	**230,608**

In 2011 and 2010 the main addition to "Development Expenditure" is 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 53,146 thousand and EUR 33,095 thousand, respectively.

Research and development expenses not capitalised during 2011 totalled EUR 34 million (2010: EUR 23 million).

Fully amortised intangible assets in use at 31 December 2011 and 2010 amounted to approximately EUR 158,932 thousand and EUR 110,873 thousand, respectively.

At 31 December 2011, GAMESA group had intangible asset purchase commitments amounting to EUR 10,300 thousand (31 December 2010: EUR 7,420 thousand).

10. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2011 and 2010 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 1 January 2010	**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)
Transfer from assets classified as held for sale					
Differences on exchange	5,105	4,498	2,993	(407)	12,189
Transfers	(5,593)	(6,973)	5,142	(3,850)	2,672
Balance at 31 December 2010	**254,716**	**216,811**	**298,456**	**46,532**	**816,515**
Change in the scope of consolidation (Note 2.g)	(83,164)	(793)	-	-	(83,957)
Additions	6,938	23,644	74,751	36,572	141,905
Disposals	(30)	(6,880)	(3,752)	(135)	(10,797)
Differences on exchange	3,590	2,797	2,979	3,570	12,936
Transfers	12,776	16,383	6,384	(35,343)	200
Balance at 31 December 2011	**194,826**	**251,962**	**378,818**	**51,196**	**876,802**

	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	Total
	Thousands of euros				
Depreciation					
Balance at 1 January 2010	**(31,189)**	**(122,230)**	**(152,259)**	**-**	**(305,678)**
Charge for the year (Note 28.e)	(14,632)	(22,116)	(33,117)	-	(69,865)
Disposals	20	7,868	4,002	-	11,890
Transfer from assets classified as held for sale					
Differences on exchange	(714)	(1,918)	(1,677)	-	(4,309)
Transfers	92	(2,856)	(106)	-	(2,870)
Balance at 31 December 2010	**(46,423)**	**(141,252)**	**(183,157)**	**-**	**(370,832)**
Change in the scope of consolidation (Note 2.g)	17,063	35	-	-	17,098
Charge for the year (Note 28.e)	(13,072)	(20,362)	(36,698)	-	(70,132)
Disposals	2	5,573	3,143	-	8,718
Differences on exchange	(764)	(1,890)	(1,823)	-	(4,477)
Transfers	41	539	(634)	-	(54)
Balance at 31 December 2011	**(43,153)**	**(157,357)**	**(219,169)**	**-**	**(419,679)**
Impairment losses					
Balance at 1 January 2010	**-**	**(2,224)**	**-**	**-**	**(2,224)**
Impairment loss recognised in the year	(1,091)	(14,323)	-	-	(15,414)
Differences on exchange	-	(296)	-	-	(296)
Balance at 31 December 2010	**(1,091)**	**(16,843)**			**(17,934)**
Application recognised in the year (Note 2.g)	-	12,500	-	-	12,500
Transfers	-	378	-	-	378
Differences on exchange	-	(167)	-	-	(167)
Balance at 31 December 2011	**(1,091)**	**(4,132)**	**-**	**-**	**(5,223)**
Total property, plant and equipment at 31.12.10	**207,202**	**58,716**	**115,299**	**46,532**	**427,749**
Total property, plant and equipment at 31.12.11	**150,582**	**90,473**	**159,649**	**51,196**	**451,900**

The main additions in 2011 were due to the investment in the new plant in India, the launch of the G97 blade in all geographic areas and the additions relating to the G10X blade.

The main additions in 2010 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 2011 GAMESA's gross property, plant and equipment includes EUR 3,226 thousand (2010: EUR 3,226 thousand), approximating the value of GAMESA Group's assets that are covered by finance lease agreements and which were classified under the relevant heading on the basis of their nature (see Note 18). At 31 December 2011 and 2010, the minimum lease payments in this connection were as follows (in thousands of euro):

	Thousands of euros	
	2011	**2010**
2011	331	318
2012 and subsequent years	224	551
Total payable	**555**	**869**
Finance cost	16	29
Present value of lease payments	539	840
Total payable	**555**	**869**

Fully depreciated items of property, plant and equipment in use amounted to EUR 249,908 thousand at 31 December 2011 (31 December 2010: EUR 166,860 thousand). At 31 December 2011 and 2010, most of these items related to moulds and tooling for the manufacture of WTGSs.

At 31 December 2011, the GAMESA Group companies had property, plant and equipment purchase commitments amounting to approximately EUR 13,800 thousand (2010: EUR 12,102 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, 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. Of the total, EUR 12,500 thousand related 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 into the Manufacturing segment (see Note 7).

This impairment originated during 2010 since the following events occurred and were observed:

- On 23 November 2010 the Official State Journal ("BOE") published Royal Decree 1565/2010 (19 November) that amended several aspects of wind energy produced under the special system.
    - The wording of Article 18.e of Royal Decree 661/2007 was amended to include photovoltaic installations or groups of installations with a capacity exceeding 2 MW under the obligation to comply with the provisions of Operating Procedure 12.3 "Response requirements for voltage dips at wind energy facilities".
    - The right to receive. An equivalent premium for photovoltaic plants over the 1st 25 years of useful life in accordance with Article 1.10 was limited, thereby amending the financial system est. by Article 36 of Royal Decree 661/2007 (this was amended one month later in Royal Decree-Law 14/2010).

- On 24 December 2010 the Official State Journal published Royal Decree-Law 14/2010 (23 December), which reduced the number of equivalent production hours entitled to receive the State premium (to 1,250 hours). This is a cut back measure established for the period between 01/01/2011 and 31/12/2013, which was accompanied by an expansion of the period over which the special system is applicable from 25 to 28 years for type b.1.1 plants, whose rates are regulated in accordance with Article 36 of Royal Decree 661/2007 (25 May).

- As a result of the circumstances affecting the operation of the photovoltaic plant, investments in addition to those already made were required to adequately ensure the generation of future cash flows.

In addition to the aforementioned issue relating to the value-in-use of the plant, in 2010 non-binding offers were received to buy the facilities at a date close to the end of the year. As these offers were evidence of their value less selling costs, this value was equivalent and did not substantially exceed the amount obtained by estimating the plant's value-in-use.

As a result of the events indicated above, at the end of 2010 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.

At 31 December 2011 GAMESA Group's stake in the company Sistemas Energéticos Almodóvar del Río, S.L. (Sole-Shareholder Company) was sold (Note 2.g).

11. Investments accounted for using the equity method

The detail of the investments in associates of the GAMESA Group at 31 December 2011 and 2010 is as follows:

	Thousands of euros	
Company	**2011**	**2010**
Windar Renovables, S.L. (Note 31)	39,198	38,732
Worldwater & Solar Technologies, Inc. (Note 2.g)	2,108	2,243
Skybuilt Power, Inc. (Note 2.g)	4,121	4,303
New Broadband Network Solutions, S.L. (Note 2.g)	2,000	-
Other	19	22
	47,446	**45,300**

The changes in 2011 and 2010 in this heading in the consolidated balance sheet were as follows:

	Thousands of euros	
	2011	**2010**
Beginning balance	**45,300**	**51,702**
Changes in the scope of consolidation (Note 2.g)	2,000	6,546
Profit for the year	146	2,052
Impairment loss recognised in the year	-	(15,000)
Transfer from assets classified as held for sale	-	-
Ending balance	**47,446**	**45,300**

The heading "Changes in the scope of consolidation" includes:

- In 2011 the cost relating to the investment in the company New Broadband Network Solutions, S.L. representing 18.81% of the fair value of the net assets acquired (Note 2.g)
- In 2010 this heading included the cost corresponding to the investments in the share capital of the US companies Worldwater & Solar Technologies Inc. and Skybuilt Power, Inc., corresponding to 25% and 28.75% of the fair value of the net assets acquired.

The breakdown of consolidated assets, liabilities, revenues and expenses recognized using the equity method at 31 December 2011 is as follows:

	Thousands of euros			
2011	**Windar Renovables, S.L. and Subsidiaries**	**Worldwater & Solar Technologies, Inc.**	**Skybuilt Power, Inc.**	**New Broadband Network Solutions, S.L.**
Total non-current assets	36,114	1,420	216	1,051
Total current assets	55,150	100	1,867	1,313
TOTAL ASSETS	**91,264**	**1,520**	**2,083**	**2,364**
Total equity	56,600	659	1,934	677
Total non-current liabilities	7,275	668	-	996
Total current liabilities	27,389	193	149	691
TOTAL EQUITY AND LIABILITIES	**91,264**	**1,520**	**2,083**	**2,364**

	Thousands of euros			
2011	**Windar Renovables, S.L. and Subsidiaries**	**Worldwater & Solar Technologies, Inc.**	**Skybuilt Power, Inc.**	**New Broadband Network Solutions, S.L.**
Total revenue	99,761	1,227	115	-
Total expenses	(98,305)	(1,764)	(749)	-
PROFIT (LOSS) BEFORE TAX	**1,456**	**(537)**	**(634)**	**-**
Corporate income tax expense	-	-	-	-
PROFIT (LOSS) AFTER TAX	**1,456**	**(537)**	**(634)**	**-**

The breakdown of consolidated assets, liabilities, revenues and expenses recognized using the equity method at 31 December 2010 is as follows:

	Thousands of euros		
2011	**Windar Renovables, S.L. and Subsidiaries**	**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		
2010	**Windar Renovables, S.L. and Subsidiaries**	**Worldwater & Solar Technologies, Inc.**	**Skybuilt Power, Inc.**
Total revenue	108,703	1,045	276
Total expenses	(102,225)	(1,574)	(974)
PROFIT (LOSS) BEFORE TAX	**6,478**	**(529)**	**(698)**
Corporate income tax expense	(54)	-	-
PROFIT (LOSS) AFTER TAX	**6,424**	**(529)**	**(698)**

During 2007, GAMESA Group and DANIEL ALONSO Group reached an agreement under which the latter fully subscribed to the share capital increase carried out by the GAMESA Group company Windmill Towers, S.L.U. (company to which the financial stake held by GAMESA in Group companies engaging in the construction of wind turbine towers were contributed), thereby diluting the stake held by GAMESA Group in that 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 2011, the two parties were negotiating the new terms and conditions of the supply agreement.

Based on the agreements concluded in 2007, 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 the event that the intention of Daniel Alonso if affirmative, the parties will seek mechanisms for realizing value and liquidity of their stakes in Windar Renovables, S.L. within one year. In the event that there is at least one binding offer that is acceptable with respect to all terms and conditions for one party but is not accepted by the other, the latter would be required to acquire from the former its stake in Windar Renovables, S.L. at the price and under the same terms and conditions established in the third-party binding offer referred to above.

If the intention is negative:

1. Daniel Alonso will attempt to facilitate the entry of a third-party buyer for Gamesa's interest or,

2. After one year has elapsed since Daniel Alonso reported its negative intention, within one month after one year has elapsed Gamesa may provide written notice of its desire to sell its stake in Windar Renovables, S.L. to Daniel Alonso, which will be required to buy within one month following the date on which such notification was received.

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., calculated based on its value-in-use 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. Value in use was calculated on the basis of the cash flow projections (approved by Windar Renovables, S.L. management) that represented 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 included 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%.

The most relevant parameters for analysing impairment are:

- Net revenues
- Operating results:
- Working capital
- Investments in non-current assets

At the end of 2011, the Group has reviewed and updated the cash flow estimates used in the calculation to determine the recoverable amount of the shareholding (calculated by referencing value-in-use), using a discount rate between 9% and 11% and a growth rate of 1.5% without any indication that the impairment provision allocated the previous year is insufficient or excessive.

From a sensitivity analysis point of view, a 50 basis point change in the discount rate used (increase) would give rise to additional impairment of EUR 103 thousand.

12. Financial instruments by category

a) Composition and breakdown of financial assets

The breakdown of the Group's financial assets at 31 December 2011 and 2010, presented by nature and category for measurement purposes:

	Thousands of euros					
2011 Financial assets: Nature/Category	**Other financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**	**Hedging derivatives (Note 21)**	**Total**
Equity instruments:	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	28	28
Other financial assets	-	34,955	5,889	-	-	40,844
Long-term/non-current	**-**	**34,955**	**5,889**	**-**	**28**	**40,872**
Equity instruments:	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	1,055	-	-	-	14,035	15,090
Other financial assets	-	-	55,389	-	-	55,389
Trade and other receivables	-	-	2,059,719	-	-	2,059,719
Short-term / current	**1,055**	**-**	**2,115,108**	**-**	**14,035**	**2,130,198**
Total	**1,055**	**34,955**	**2,120,997**	**-**	**14,063**	**2,171,070**

	Thousands of euros					
2010 Financial assets: Nature/Category	**Other financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Loans and receivables**	**Held-to-maturity investments**	**Hedging derivatives (Note 21)**	**Total**
Equity instruments:	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	31,231	77,241	-	-	108,472
Long-term/non-current	**-**	**31,231**	**77,241**	**-**	**-**	**108,472**
Equity instruments:	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	812	812
Other financial assets	-	-	16,247	-	-	16,247
Trade and other receivables	-	-	1,583,917	-	812	1,584,729
Total	**-**	**31,231**	**1,661,158**	**-**	**812**	**1,693,201**

b) Composition and breakdown of financial liabilities

The breakdown of the Group's financial liabilities at 31 December 2011 and 2010, presented by nature and category for measurement purposes:

	Thousands of euros			
2011 Financial liabilities Nature/Category	**Other financial liabilities at fair value through profit or loss**	**Creditors and payables**	**Hedging derivatives (note 21)**	**Total**
Bank borrowings:	-	940,791	-	940,791
Debentures and other marketable securities	-	-	-	-
Derivatives	-	-	4,343	4,343
Other financial liabilities	-	43,702	-	43,702
Long-term debts / non-current financial liabilities	**-**	**984,493**	**4,343**	**988,836**
Bank borrowings:	-	408,860	-	408,860
Debentures and other marketable securities	-	-	-	-
Derivatives	-	-	25,046	25,046
Other financial liabilities	-	43,194	-	43,194
Trade and other payables	-	1,946,897	-	1,946,897
Short-term debts / current financial liabilities	**-**	**2,398,951**	**25,046**	**2,423,997**
TOTAL	**-**	**3,383,444**	**29,389**	**3,412,833**

	Thousands of euros			
2010 Financial liabilities Nature/Category	**Other financial liabilities at fair value through profit or loss**	**Creditors and payables**	**Hedging derivatives (note 21)**	**Total**
Bank borrowings:	-	556,725	-	556,725
Debentures and other marketable securities	-	-	-	-
Derivatives	-	-	5,311	5,311
Other financial liabilities	-	45,363	-	45,363
Long-term debts / non-current financial liabilities	**-**	**602,088**	**5,311**	**607,399**
Bank borrowings:	-	257,479	-	257,479
Debentures and other marketable securities	-	-	-	-
Derivatives	1,057	-	23,811	24,868
Other financial liabilities	-	101,068	-	101,068
Trade and other payables	-	1,904,913	-	1,904,913
Short-term debts / current financial liabilities	**1,057**	**2,263,460**	**23,811**	**2,288,328**
TOTAL	**1,057**	**2,865,548**	**29,122**	**2,895,727**

13. Non-current financial assets

The changes in "Other Intangible Assets" in the consolidated balance sheet in 2011 and 2010 were as follows:

	Thousands of euros					
2011	**Balance at 31 December 2010**	**Additions**	**Translation differences**	**Disposals**	**Transfers**	**Balance at 31 December 2011**
Derivatives (Note 21)	-	28	-	-	-	28
Investment securities	31,231	5,972	620	(1,760)	(1,108)	34,955
Other non-current financial assets	77,241	1,148	(302)	(2,360)	(69,838)	5,889
	108,472	**7,148**	**318**	**(4,120)**	**(70,946)**	**40,872**

	Thousands of euros					
2010	**Balance at 31.12.09**	**Changes in the scope of consolidation (Note 2-g)**	**Additions**	**Translation differences**	**Disposals**	**Balance at 31 December 2010**
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**

a) Trading portfolio

The detail of the cost of acquisition of the most representative long-term investment securities at 31 December 2011 and 2010 is as follows:

	31.12.2011 Thousands of euros	**31.12.2010 Thousands of euros**	**% of ownership at 31.12.11**	**% of ownership at 31.12.10**
Anqiu Taipingshan Wind Power Co. Ltd. (Note 2.g)	2,219	2,219	10%	10%
CGN Wind Power Co. Ltd.	2,299	2,127	25%	25%
Jianping Shiyingzi Wind Power Co. Ltd. (Note 2.g)	4,437	4,437	25%	25%
Yishui Tangwangshan Wind Power Co. Ltd. (Note 2.g)	1,943	1,943	25%	25%
Wendeng Zhangjiachan Wind Power Co. Ltd. (Note 2.g)	7,651	7,651	40%	40%
Neimenggu Huadian Meiguiying Wind Power Co. Ltd.	7,415	2,834	25%	25%
CGN Changgao Wind Power Co. Ltd	4,660	4,660	25%	25%
Cheng Dingshan	1,308	-	25%	-
Other	3,023	5,360		
	34,955	**31,231**		

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 2011 and 2010 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 2011 and 2010 of the GAMESA Group is as follows:

	Thousands of euros			
	31.12.2011	**31.12.2010**	**Interest rate**	**Maturity**
Deposits and guarantees provided long term (Note 28.d)	4,000	5,546	Euribor + spread	2012-2018
Other long-term loans	1,889	71,695	Euribor + spread	2012-2013
TOTAL	**5,889**	**77,241**		

In both 2011 and 2010 this heading includes EUR 700 thousand for loans granted to several executives of the former group company Gamesa Solar, S.A. (sold in 2008). This loan matures in 2013. The Company recognised EUR 166 thousand (2010: EUR 157 thousand) relating to interest receivable on these loans at 31 December 2011, which will also be paid in full on maturity.

In 2010 it also included EUR 965 thousand for loans granted to several executives of the other former group company Global Energy Services, S.A. (formerly called Gamesa Energía Servicios, S.A. and sold in 2006). This loan matures in 2012. At 31 December 2011 part of this loan was collected with interest and the outstanding principal and interest totals EUR 832 thousand, which has been transferred to current liabilities (see Note 12). The Company recognised EUR 175 thousand (2010: EUR 165 thousand) relating to interest receivable on these loans at 31 December 2011, which will also be paid in full on maturity.

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 28.d).

At 31 December 2011 and 2010, under the headings “Other current financial assets” and “Other long-term loans”, respectively, GAMESA Group basically recorded EUR 71,872 thousand and EUR 68,676 thousand, respectively, relating to the loan granted by the company to Toler Inversiones 2007, S.L. (currently 9Ren España, S.L. (Sole-Shareholder Company). This loan, initially for EUR 60 million (capitalising interest, which is amortised together with the principal at maturity), was granted to partially finance the acquisition of Gamesa Solar, S.A. from Gamesa Energía, S.A. (Sole-Shareholder Company) on 24 April 2008. This loan matures on 24 April 2012 and will be repaid in full on the maturity date and accrues interest indexed to EURIBOR plus a spread. This interest, recognised under “Finance Income” in the consolidated income statement amounted to EUR 3,196 thousand in 2011 (2010: EUR 2,638 thousand).

Toler Inversiones 2007, S.L. is obligated to provide GAMESA with a first-tier pledge of all of the shares representing its share capital (in the event that the Revolving Financing has been cancelled), or in the event that the Revolving Financing has not been cancelled, to provide a second-tier pledge of all the shares representing its share capital when requested by Gamesa Corporación Tecnológica, S.A. GAMESA may require the creation of a pledge when, in accordance with the financial statements in any quarter for Toler Inversiones 2007, S.L., the "Financial debt/EBITDA” ratio for the preceding year is less than (4.50). GAMESA has not required Toler Inversiones 2007, S.L. to create this pledge, although it fully maintains its right to do so if deemed advisable. Similarly, the agreement foresees the obligation on the part of Toler Inversiones 2007, S.L to make early repayments in the event that its cash figure is higher than twice the latest annual EBITDA figure during two consecutive quarters.

At 31 December 2011 GAMESA Group identified indications of impairment of this financial asset as a result of a lower capacity to generate cash flows, mainly due to the deterioration of the activity in the sector in which it operates. This impairment has been recognised based on the maximum risk deriving from the debtor, based on GAMESA's best estimates in the current scenario for future estimated cash flows for this financial asset, calculated based on cash flow projections that represent the best estimates covering 5 years. In order to calculate the recoverable value, discount rates based on the weighted average cost of capital (WACC) have been used, including the value of money over time and the risks associated with this asset, which stood at between 9% and 11%.

Based on the estimates and projections available to GAMESA, it has recorded impairment totalling EUR 25,000 under the heading "Net asset impairment loses" in the consolidated income statement for 2011.

The most relevant parameters for analysing impairment are:

- Net revenues
- Operating results:
- Working capital
- Investments in non-current assets

From a sensitivity analysis point of view, a 50 basis point change in the discount rate used (increase) would give rise to additional impairment of EUR 1,300 thousand.

Other non-current financial assets: are recognised at amortised cost, which fundamentally coincides with their market value.

14. Inventories

The detail of this heading at 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	2011	**2010**
Goods purchased for resale	1,073	1,093
Raw and auxiliary materials	401,224	371,700
Work in progress and finished goods	722,581	474,396
Pre-payments to suppliers:	71,874	38,701
Inventory write-downs (Note 28.e)	(80,647)	(42,123)
TOTAL	**1,116,105**	**843,767**

Impaired inventories in 2011 related mainly to blades and towers.

At 31 December 2011 and 2010, there were no inventories provided to secure the payment of debts or in relation to any other obligations to third parties.

15. Trade and other receivables

The detail of "Trade and Other Receivables" in the consolidated balance sheets at 31 December 2011 and 2010 is as follows

	Thousands of euros	
	2011	**2010**
Trade and other receivables	519,867	702,586
Construction contract receivables (Notes 3.b and 17)	1,000,458	580,916
Impairment of uncollectible receivables	(9,149)	(2,556)
Total trade and other receivables	**1,511,176**	**1,280,946**

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.

The heading "Allowance for Uncollectible Receivables" includes the balances receivable in relation to which there are doubts as to their recoverability (see Note 3.h). 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.

The carrying value of the Group's receivables and other receivables in foreign currency:

	Equivalent value in thousands of euros	
Currency	**2011**	**2010**
Moroccan dinar	10,308	9,550
US dollar	81,458	15,528
Romanian lev	17,471	-
Egyptian pounds	10,321	11,221
Chinese yuan	92,957	99,478
Polish zlotys	5,990	2,042
Indian rupees	23,585	38,006
Other currencies	596	1,729
Total	**242,686**	**177,554**

Movements in the provision for the impairment of the value of the Group's trade and other receivables were as follows (Thousands of euros):

	2011	**2010**
1 January	2,556	10,947
Provision of the impairment of the value of receivables	6,710	1,727
Receivables written off	(244)	(9,205)
Reversal of unused amounts	(748)	(808)
Transfers	353	(927)
Exchanges differences	522	822
At 31 December	**9,149**	**2,556**

16. Cash and other cash equivalents

The breakdown of “Cash and Cash Equivalents” in the accompanying consolidated balance sheets at 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	2011	**2010**
Cash in euros	488,323	590,517
Cash in foreign currency (Note 3.l)	130,170	345,468
Liquid assets maturing in less than three months	68,593	77,171
Total	**687,086**	**1,013,156**

“Cash and Cash Equivalents” includes mainly the Group's cash and short-term bank deposits with an initial maturity of three months or less. Cash and cash equivalents accrue market interest rates. There are no restrictions on the use of the balances.

17. 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 2011 and 2010 declined by EUR 196,589 thousand and EUR 397,669 thousand, respectively, and is recognised under “Revenue” in the consolidated income statements for 2011 and 2010, respectively. For uncompleted contracts at 31 December 2011, the cumulative amount of costs incurred and revenue recognised until that date amounted to EUR 1,859,942 thousand (EUR 2,090,714 thousand for uncompleted contracts at 31 December 2010).

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 2011, amounted to EUR 1,000,458 thousand (31 December 2010: EUR 580,916 thousand) (see Note 15).

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 31) at 31 December 2011, amounted to EUR 166,414 thousand (31 December 20010:EUR 171,990 thousand).

18. Equity of the Parent

a) Share capital

On 25 May 2011 (2010: 28 May 2010) the shareholders at the Annual General Meeting of Gamesa Corporación Tecnológica, S.A. resolved to increase capital by charging unrestricted reserves for a maximum reference market value of EUR 11 million gross (2010: EUR 29 million) through a bonus issue of ordinary shares to be allocated to the Company’s shareholders. The aforementioned capital increase was approved by the shareholders at the Annual General Meeting of GAMESA in order to implement, for the second consecutive year, a system for remunerating the shareholders 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 receive 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 was 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 for requesting the compensation and the negotiation of rights, on 15 July 2011 (2010: 19 July) GAMESA issued a total of 1,580,167 shares (2,409,913 shares in 2010), which increased share capital by EUR 268,628 (2010: EUR 409,685) charged against the heading "Reserves – Other reserves" under equity. In addition, for the other shareholders that have chosen to received the amount in cash resulting from the sale of the rights to GAMESA, the amount payable totals EUR 2,537 thousand, which is EUR 0.044 per right (2010: EUR 9,772 thousand, which was EUR 0.0116 per right), charged against the heading "Reserves – Other Reserves" under equity. At 31 December 2011 and 2010 no amount remained outstanding in this respect. As a result of the aforementioned share capital increase, GAMESA was assigned 24,678 shares free of charge (EUR 48,249 shares in 2010) - Note 18.e. (of which at 31 December 2011 and 2010 10,275 shares and 18,250 shares, respectively, relate to the Equity Swap – Note 12).

At 31 December 2011, the share capital of Gamesa Corporación Tecnológica, S.A. amounted to EUR 42,039 thousand (31 December 2010: EUR 41,771 thousand) and was composed of 247,289,984 fully subscribed and paid ordinary shares (245,709,817 ordinary shares at 31 December 2010) with a 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 2011 and 2010 was as follows:

	% of ownership 2011	**% of ownership 2010**
Iberdrola, S.A.	19.62%	19.58%
Blackrock Inc.	4.96%	-
Norges Bank	-	3.09%
Other (*)	75.42%	77.33%
TOTAL	**100,00%**	**100.00 %**

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

GAMESA's shares have been listed on the Spanish continuous market since 31 October 2000 and are included in the IBEX 35. 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.

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.

At 31 December 2011, 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 41.86% (31 December 2010:-9.37%).

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	
	2011	**2010**
Non-current liabilities		
Bank borrowings and other non-current liabilities on loans that do not have to be repaid (Note 20 and Note 23).	977,019	595,310
Current liabilities		
Bank borrowings and other current liabilities on loans that do not have to be repaid (Note 20 and Note 23).	415,434	265,672
Total bank borrowings	**1,392,453**	**860,982**
Cash and other cash equivalents	**687,086**	**1,013,156**
Bank borrowings net of cash	**705,367**	**(152,174)**
Total equity of the Parent	**1,685,150**	**1,623,654**
Proportion of debt (net of cash) and equity attributable to the parent company	**41.86%**	**(9.37)%**

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 2011 and 2010 were as follows:

	Thousands of euros						
	31.12.09	**Change in fair value**	**Taken to profit and loss**	**31.12.10**	**Change in fair value**	**Taken to profit and loss**	**31.12.11**
Cash flow hedges:							
Interest rate swaps (Note 21)	(9,088)	(12,817)	9,512	(12,393)	(3,106)	7,429	(8,070)
Currency forwards (Note 21)	(2,254)	2,045	-	(209)	9,191	-	8,982
	(11,342)	(10,772)	9,512	(12,602)	6,085	7,429	912
Deferred taxes due to the remeasurement of unrealised assets and liabilities (Note 24)	2,994	3,909	(2,838)	4,065	(1,825)	(2,450)	(210)
Total	**(8,348)**	**(6,863)**	**6,674**	**(8,537)**	**4,260**	**4,979**	**702**

d) Other reserves

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

	Thousands of euros	
	2011	**2010**
Restricted reserves		
To legal reserve	8,354	8,272
Revaluation reserve	461	729
Reserve for redenomination of capital in euro	1	1
Reserve for treasury shares	27,541	34,188
	36,357	43,190
To voluntary reserves	**306,868**	**248,581**
Reserves attributable to the consolidated companies	**1,149,150**	**1,163,340**
Reserves of companies consolidated using the equity method (Note 11)	4,531	4,385
Reserves of proportionately consolidated companies	131	(220)
Reserves of fully consolidated companies	1,144,488	1,159,175
Total	**1,456,018**	**1,411,921**

To 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 2011 and 2010 GAMESA used EUR 268 thousand and EUR 410 thousand to increase share capital, pursuant to the resolution adopted by the shareholders at the Annual General Meeting, as described in Note 18.a.

e) Treasury shares

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 2011 and 2010, is as follows:

	Number of shares	Thousands of euros
Balance at 1 January 2010	**2,978,736**	**(32,310)**
Additions	275,764	(2,249)
Allocation of scrip dividend (Note 18.a)	48,249	-
Disposals	(35,000)	371
Balance at 31 December 2010	**3,267,749**	**(34,188)**
Additions	1,495,678	(9,098)
Allocation of scrip dividend (Note 18.a)	24,678	-
Disposals	(1,553,679)	15,745
Balance at 31 December 2011	**3,234,426**	**(27,541)**

The nominal value of the treasury shares acquired directly or indirectly by GAMESA, together with those already held by GAMESA and its subsidiaries does not exceed 10% of share capital in 2011 or 2010.

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.

To hedge the Share Option Programme 2005-2008, described below, Gamesa obtained a swap and forward agreement from a bank on 10 August 2005. 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 financial expense on an accrual basis. In turn, GAMESA receives the dividends declared on the 2,212,000 shares.

On 2 June 2011 the swap and forward arrangement was terminated through the cash liquidation of 1,222,748 outstanding shares for EUR 13,272 thousand. Simultaneously, Gamesa obtained a new swap and forward arrangement from a bank, with an acquisition commitment at maturity on 7 June 2012 of 1,222,748 shares. The acquisition price was set at EUR 6.375 per share. The termination of the aforementioned swap and forward arrangement and the agreement for the new swap and forward arrangement gave rise to the simultaneous acquisition and write-off of 1,222,748 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 31 December 2011 the amount of treasury shares held by the Company in this respect totals EUR 7,795 thousand (EUR 13,272 thousand at 31 December 2010).

In addition, in 2011 GAMESA acquired 272,930 treasury shares at an average price of EUR 4.76 and sold EUR 330,931 treasury shares at an average price of EUR 6.17. The write-off of treasury shares gave rise to a loss totalling EUR 5,913 thousand, charging the heading "Equity of the Parent - Reserves - Other reserves" in the consolidated balance sheet.

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.

2005-2008 share option plan

Shareholders at a General Meeting held on 28 May 2004 adopted a resolution to implement a Stock Option Programme and a Stock Bonus Programme.

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. Exercising the options was subject to compliance with the individual objectives of the beneficiaries between 2005-2007. Each option provides the beneficiary the right to acquire fully paid shares at a strike price of EUR 10.96 per share.

In general, the period for exercising these options commenced on 1 January 2008 and ended 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 was determined as the difference between the market price of the shares and the exercise price.

To hedge the Options Programme, on 10 August 2005, GAMESA arranged a swap and forward transaction to cover the aforementioned share option plan.

At 31 December 2010, 65,000 shares that could be executed up to 28 May 2011 were in the possession of certain executives pertaining to the Programme. At the end of 2011 the options that were available for execution at the end of the preceding year matured but were not exercised.

2009-2011 Incentive Plan

Shareholders at a General Meeting held on 28 May 2009 adopted a resolution to implement a Long-Term Plan to strengthen and encourage attaining the main strategic objectives established for 2009-2011. The Plan was a multi-year incentive and consisted of the delivery of Company shares to the beneficiaries.

The plan is aimed at individuals who, due to their level of responsibility or their position at the GAMESA Group, contributed 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 to be provided to each beneficiary was determined by the degree to which the objectives established in the Plan for the period between 1 January 2009 and 31 December 2011 are met. The maximum number of shares available for delivery totalled 2,189,699 shares and no CEO could receive more than 227,475 shares.

The shares would 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.

The Nominations and Compensation Committee on the Board of Directors of Gamesa Corporación Tecnológica S.A. held a meeting on 30 May 2011 and adopted a resolution, with the authority delegated by the Board, to terminate early the Long-Term Incentive Programme authorised by Shareholders at a General Meeting held on 29 May 2009.

As is described in Note 3.r, Gamesa has been recording the rendering of services to the beneficiaries as personnel expenses on an accruals basis, apportioning the fair value of the equity instruments assigned over the term of the plan, which gave rise to a charge totalling EUR 3,315 thousand under "Personnel expenses" in the consolidated income statement for 2010.

In 2011, GAMESA recognised the early termination of this long-term incentive programme as an acceleration of the consolidation (irrevocable) of the concession and therefore immediately recognised the amount that otherwise would have been recognised for the services received over the course of the consolidation period for the remaining concession, which has given rise to a charge totalling EUR 3,813 thousand under "Personnel expenses" in the consolidated income statement for 2011, crediting the heading "Other reserves" under equity in the accompanying consolidated balance sheet at 31 December 2011.

The total accumulated cost of this incentive plan, charged against "Personnel expenses" in the consolidated income statements for the period 2009-2011 was approximately EUR 11 million. The total effective cost (understood to be the fair value or real cost at the time of settlement) at the time the plan was settled early, obtained by reference to the listed price of the equity instruments to be delivered to the beneficiaries at the settlement date totalled approximately EUR 2,342 thousand.

2011-2013 Incentive Plan

Shareholders at a General Meeting held on 25 May 2011 adopted a resolution 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 2011-2013.

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 to be provided to each beneficiary was determined by the degree to which the objectives established in the Plan for the period between 1 January 2011 and 31 December 2013 are met. The maximum number of shares available for delivery is established at 5,325,000 shares and no CEO can receive more than 408,201 shares.

The shares will be delivered during the first 90 calendar days of 2014, 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 2011 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 0.79%
- To determine the volatility of the shares and the dividends distributed per share, the average value was calculated for the last three months of 2010.
- The dividends accrued during the period of the plan are not paid.

As is described in Note 3.q, GAMESA recorded the rendering of services to the beneficiaries as personnel expenses on an accruals basis, apportioning the fair value of the financial instruments assigned over the term of the plan, which gave rise to a charge totalling EUR 1,756 thousand under "Personnel expenses" in the consolidated income statement for 2010.

GAMESA's Stock plan for employees:

On 23 March 2011 the Board of Directors of Gamesa Corporación Tecnológica, S.A. approved the launch of a stock plan for Gamesa Corporación Tecnológica, S.A. employees around the world (including senior management and other executives).

Through the plan the Company offers its employees the possibility of acquiring shares in Gamesa Corporación Tecnológica, S.A. with the company's commitment that it will provide one share in Gamesa Corporación Tecnológica, S.A. free of charge for each two shares acquired by the employee, provided that certain requirements are met, which are fundamentally the following:

- The beneficiary has held the shares acquired under this plan for one year (until May 2012) and
- The beneficiary continues to work for the Group during this period.

The contribution that each beneficiary has made to the Plan was at least EUR 300 and no more than EUR 1,200. The total amount contributed by employees under this plan was EUR 3,305 thousand. GAMESA has valued this plan using the futures valuation method.

GAMESA has recorded the rendering of services by beneficiaries as a personnel expense on an accruals basis, apportioning the fair value of the equity instruments assigned during the period the plan was in force. IN 2011 this apportionment has given rise to a charge totalling EUR 1,102 thousand under the heading "Personnel expenses" in the consolidated income statement for 2011 and a credit was recognised in the heading "Other reserves" under equity in the consolidated balance sheet at 31 December 2011.

19. Non-controlling shareholdings

The detail of "Equity - Of Non-Controlling Interests" on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2011 and 2010 is as follows:

	Thousands of euros
Balance at 1 January 2010	5,061
Profit for the year	477
Compass Transworld Logistics, S.L. dividend	(398)
Acquisition of 40% of S.E. los Lirios, S.A.	(143)
Other changes	51
Balance at 31 December 2010	**5,048**
Profit for the year	583
Compass Transworld Logistics, S.L. dividend	(411)
Exchange differences	(13)
Companies acquired	820
Share capital increases and reductions	838
Other changes	83
Balance at 31 December 2011	**6,948**

Compass Transworld Logistics, S.L. (51% owned by the GAMESA Group) distributed a dividend in 2011 amounting to EUR 839 thousand (2010: EUR 812 thousand).

20. Bank borrowings

Bank borrowings in the accompanying consolidated balance sheet and the related contractual flows (including interest) without any discount at 31 December 2011 and 2010, as well as the maturity dates, are as follows:

	Carrying amount balance at 31.12.2011	Balance at 31.12.2011 (*)	Debts at 31 December de 2011 maturing at						
			Short term	Long term					
			2012	2013	2014	2015	2016	2017 and subsequent years	Total long-term
Accrued interest not paid	6,832	6,832	6,832	-	-	-	-	-	-
Loans	862,866	986,220	72,093	60,395	269,155	267,773	108,382	208,422	914,127
Equity Swaps (Note 18.e)	7,795	7,795	7,795	-	-	-	-	-	-
Payables for drawn down loans	8,342	8,482	8,482	-	-	-	-	-	-
Payables for discounted bills	49,641	50,467	50,467	-	-	-	-	-	-
Euro loans	**935,476**	**1.059,796**	**145,669**	**60,395**	**269,155**	**267,773**	**108,382**	**208,422**	**914,127**
US dollar	196,999	212,406	80,812	4,198	4,193	123,059	144	-	131,594
Indian rupees	127,738	129,864	129,864	-	-	-	-	-	-
Chinese yuan	73,316	74,537	74,537	-	-	-	-	-	-
Other	16,122	16,391	16,391	-	-	-	-	-	-
Loans and credit facilities denominated in foreign currency (Note 3.l)	**414,175**	**433,198**	**301,604**	**4,198**	**4,193**	**123,059**	**144**	**-**	**131,594**
TOTAL	**1.349,651**	**1.492,994**	**447,273**	**64,593**	**273,348**	**390,832**	**108,526**	**208,422**	**1.045,721**

	Carrying amount balance at 31.12.2010	Balance at 31.12.2010 (*)	Debts at 31 December 2010 maturing at						
			Short term	Long term					
			2011	2012	2013	2014	2015	2016 and subsequent years	Total long-term
Accrued interest not paid	5,454	5,454	5,454	-	-	-	-	-	-
Loans	584,260	609,624	72,221	294,512	32,857	32,857	16,429	160,748	537,403
Equity Swaps (Note 18.e)	13,272	13,272	13,272	-	-	-	-	-	-
Payables for drawn down loans	3,857	3,921	3,921	-	-	-	-	-	-
Payables for discounted bills	34,476	35,050	35,050	-	-	-	-	-	-
Euro loans	**641,319**	**667,321**	**129,918**	**294,512**	**32,857**	**32,857**	**16,429**	**160,748**	**537,403**
US dollar	117,109	119,490	93,589	25,152	150	150	449	-	25,901
Indian rupees	55,776	56,705	56,705	-	-	-	-	-	-
Loans and credit facilities denominated in foreign currency (Note 3.l)	**172,85**	**176,195**	**150,294**	**25,152**	**150**	**150**	**449**	**-**	**25,901**
TOTAL	**814,204**	**843,516**	**280,212**	**319,664**	**33,007**	**33,007**	**16,878**	**160,748**	**563,304**

(*) The information regarding the maturity dates for bank borrowings in the accompanying tables differs from the amounts included in the consolidated balance sheet because the accompanying information is based on contractual flows without any discount while the bank borrowings in the consolidated balance sheet are recognised at amortised cost using the effective interest rate method.

On 16 December 2004, Gamesa Corporación Tecnológica, S.A. obtained a loan from the European Investment Bank for the project called Gamesa Wind Power RDI. These loans will be drawn down in two tranches: EUR 150,000 thousand and EUR 80,000 thousand, respectively. On 20 December 2005, Gamesa Eólica, S.L. (Sole-Shareholder Company) (indirectly wholly owned by Gamesa Corporación Tecnológica, S.A.) subrogated to the contractual position of Gamesa Corporación Tecnológica, S.A. At the end of 2011, Gamesa Eólica S.L. (Sole-Shareholder Company) owes the European Investment Bank EUR 115,000 thousand.

On 19 December 2008, Gamesa Eólica, S.L. (Sole-Shareholder Company) (an indirectly wholly-owned investee of Gamesa Corporación Tecnológica, S.A.) 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. At the end of 2010, Gamesa Eólica, S.L. (Sole-Shareholder Company) had drawn down EUR 160 million. On 22 June 2011 a financial institution became the guarantor of Gamesa Eólica, S.L. (Sole-Shareholder Company) for EUR 40 million and Gamesa Eólica, S.L. (Sole-Shareholder Company) drew down the entire amount of the loan.

On 22 June 2011 Gamesa Group obtained a new syndicated loan for EUR 1,200 million, which replaces the previous syndicated loan that the Group had maturing in October 2012. The conditions of the new syndicated loan establish progressive maturity dates in the period 2014-2016 and the accrual of interest at Euribor plus a market spread, without substantial changes in the rest of the significant conditions or the present discounted value of cash flows.

At 31 December 2011, the GAMESA Group had been granted loans and undrawn credit facilities that accounted for 38.67% (31 December 2010:62.26%) 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 2011 and 2010 bore annual weighted average interest at approximately 3.80% and 2.86%, respectively, at that date.

At 31 December 2011 the Consolidated Group companies had loan agreements totalling EUR 661 million (2010: EUR 430 million) and EUR 315 million (2010: EUR 308 million), respectively, which establish certain obligations, among which compliance with two financial ratios throughout the life of the agreement is notable and relate the capacity to generate resources from operations to the debt level and financial charges. 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 2010, the GAMESA Group did not have any bank borrowings tied to fixed interest rates, except for the hedges described in Note 21.

The fair value of bank borrowings at 31 December 2011 and 2010 is similar to the carrying value since the debt is subject to variable interest rates and accrue market spreads.

The sensitivity of the market value of bank borrowings based on the position to interest rate changes at 31 December 2011 and 2010 is as follows:

	Thousands of euros			
	Interest rate change			
	2011		**2010**	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Change in the value of the deb	1,382	(1,382)	2,315	(2,315)

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 2011 and 2010 is as follows:

	Thousands of euros							
	2011				2010			
	Change in interest rates		Changes in exchange rate (EUR/foreign currency)		Change in interest rates		Changes in exchange rate (EUR/foreign currency)	
Change in the value of the debt	+ 0.25%	- 0.25%	+ 5%	- 5%	+ 0.25%	- 0.25%	+ 5%	- 5%
US dollar	503	(503)	9,381	(10,368)	244	(244)	5,557	(6,164)
Chinese yuan	2	(2)	3,491	(3,859)	-	-	-	-
Indian rupees	347	(347)	6,083	(6,723)	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 21).

21. 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 2011 and 2010 is as follows:

	Thousands of euros						
	2011				2010		
	Short term		Long-term		Short term		Long-term
	Asset	Liability	Asset	Liability	Asset	Liability	Liability
INTEREST RATE HEDGES:							
Cash flow hedges:							
Interest rate swaps	1	6,416	6	1,660	-	7,082	5,311
FOREIGN CURRENCY HEDGES:							
Cash flow hedges:							
Currency forwards	13,173	3,090	-	1,102	-	209	-
Fair value hedges:							
Currency forwards	861	15,540	22	1,581	812	16,520	-
NON-HEDGING DERIVATIVES:							
Currency forwards	1,055	-	-	-	-	1,057	-
	15,090	**25,046**	**28**	**4,343**	**812**	**24,868**	**5,311**

In 2011 and 2010, to offset the effect on the consolidated income statement of hedging transactions, the GAMESA Group recognised an expense of EUR 7,429 thousand (2010: EUR 9,512 thousand) under “Finance Costs” in the consolidated income statement for 2011 (see Note 28-g), with a credit to “Equity - Of the Parent - Unrealised Asset and Liability Revaluation Reserve” (see Note 18-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 mature in 2012. At 31 December 2011 and 2010 the total nominal value covered by exchange rate hedges is as follows:

	Thousands of euros	
Currency	**2011**	**2010**
US dollar	196,189	221,551
Chinese yuan	42,951	14,014
Brazilian real	117,875	173,316
Polish zloty	72,512	2,729
Indian rupees	6,552	61,000
Mexican peso	12,178	-
Pound sterling	6,309	-
Swedish krona	1,519	-

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 2011 and 2010, the nominal value of the liabilities hedged by interest rate hedges amounted to EUR 574,394 thousand and EUR 570,770 thousand, respectively.

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

	Estimated period of cash flows	
2011	**2012**	**2013 and subsequent years**
Interest rates (EURIBOR)	459,921	346,286
Interest rates (LIBOR)	114,473	46,147
Exchange rates	333,177	-

No ineffectiveness has been detected in the hedges designated by GAMESA Group in 2011 and 2010.

Credit risk

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

	2011		2010	
	Thousands of euros	**%**	**Thousands of euros**	**%**
By geographical area:				
Spain	13,915	92.04%	642	79.13%
Other European Union countries	21	0.14%	88	10.79%
Rest of the world	1,182	7.82%	82	10.08%
	15,118	**100.0%**	**812**	**100.0%**
By counterparty categories:				
Credit institutions	15,118	100.0%	812	100.0%
	15,118	**100.0%**	**812**	**100.0%**

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

	2011		2010	
	Thousands of euros	**%**	**Thousands of euros**	**%**
Risks classified as AA	1,189	7.87%	642	79.1%
Risks rated A+	12,181	80.57%	170	20.9%
Risks rated AA-	1,748	11.56%	-	-
	15,118	**100.0%**	**812**	**100.0%**

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			
	2011		**2010**	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Change in the value of the hedge	20	(20)	2	(2)

	Thousands of euros			
	Percentage change in exchange rates			
	2011		**2010**	
	+ 5%	- 5%	+ 5%	-
Change in the value of the hedge	3	(3)	7	(7)

22. 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 2011 and 2010 is as follows:

	Provisions for litigation, termination benefits, taxes and similar	Provisions for warranties	Total provisions
Balance at 1 January 2010	**1,167**	**221,458**	**222,625**
Period provisions charged to income (Note 28.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 28.e)	-	(12,375)	(12,375)
Provisions used for their intended purpose	(264)	(84,987)	(85,251)
Differences on exchange	-	4,508	4,508
Balance at 31 December 2010	**11,436**	**219,839**	**231,275**
Period provisions charged to income statement (Note 28.e)	1,032	101,792	102,824
Changes in the scope of consolidation (Note 2.g)	-	-	-
Transfers to short term	-	(7,975)	(7,975)
Reversal due to excess provisions (Note 28.e)	-	(7,180)	(7,180)
Provisions used for their intended purpose	(319)	(78,608)	(78,927)
Differences on exchange	-	1,728	1,728
Balance at 31 December 2011	**12,149**	**229,596**	**241,745**

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.

During 2010 the Group allocated approximately EUR 8 million to "provisions for litigation, indemnities, taxes and similar items", fundamentally due to the obligation (more likely than not) deriving from a discrepancy in the interpretation and scope of the law applicable to the promotion and construction of renewable energy wind farms in the European Union. In 2011 the Group increases this allocation by approximately EUR 1 million as a result of a reestimation of the risk at the end of 2011.

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.

23. Other non-current liabilities

The detail of "Other Non-Current Liabilities" in the accompanying consolidated balance sheets at 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	31.12.11	**31.12.10**
Refundable advances	36,228	38,585
Long-term advances from customers	1,765	1,765
Other non-current liabilities	5,709	5,013
Total	**43,702**	**45,363**

"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 "Other current liabilities" in the consolidated balance sheet. These amounts mature as follows:

		Refundable advances at 31 December 2011 maturing at						
	Balance at 31.12.2011	**Short term**	**Long-term**					
		2012	**2013**	**2014**	**2015**	**2016**	**2017 and later**	**Total long-term**
Prepayments refundable	**42,802**	6,574	6,889	6,172	4,831	4,068	14,268	**36,228**

		Prepayments refundable at 31 December 2010 maturing at						
	Balance at 31.12.2010	**Short term**	**Long-term**					
		2011	**2012**	**2013**	**2014**	**2015**	**2016 and later**	**Total long-term**
Prepayments refundable	**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, which coincides with its fair value, and the difference up to its repayment value calculated at a rate between 3.5% and 5%, 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.h).

24. Deferred taxes

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet and of the changes therein in 2011 and 2010 is as follows:

	Thousands of euros					
	31.12.10	**Application and/or Credit (charge) to the income statement (Note 26)**	**Credit (charge) to asset and liability revaluation reserve**	**Differences on exchange**	**Disposals**	**31.12.11**
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 21)	4,065	-	(658)	53	-	3,460
Tax loss carryforwards	14,642	9,783	-	228	(3)	24,650
Unused tax credits recognised	105,390	644	-	-	-	106,034
Temporary differences	97,757	21,933	-	1,425	-	121,115
	221,854	**32,360**	**(658)**	**1,706**	**(3)**	**255,259**
Deferred tax liabilities:						
Deductible goodwill	31,939	4,562	-	-	-	36,501
Revaluation of derivative financial instruments (Note 21)	-	-	3,670	-	-	3,670
Temporary differences	17,150	26,766	-	230	-	44,146
	49,089	**31,328**	**3,670**	**230**	**-**	**84,317**

	Thousands of euros					
	31.12.09	**Application and/or Credit (charge) to the income statement (Note 26)**	**Credit (charge) to asset and liability revaluation reserve**	**Differences on exchange**	**Disposals**	**31.12.10**
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 21)	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**

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.

25. Tax matters

In 2010 the Parent relocated its registered office from Álava to Vizcaya and, therefore, there was a change in the tax legislation applicable in 2011 and 2010 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 2011 and 2010 is as follows:

	Thousands of euros	
	2011	**2010**
Tax receivables		
VAT refundable	147,252	46,094
Tax withholdings and interim payments made	26,033	16,683
VAT refunds receivable and other	93,762	65,225
Grants receivable	17,670	12,022
	284,717	**140,024**

	Thousands of euros	
	2011	**2010**
Tax payables		
VAT payable	110,476	64,214
Tax withholdings payable	5,113	5,806
Income tax payable	19,973	30,146
Other tax payables	3,938	448
Social security contributions	6,161	5,114
	145,661	**105,728**

In 2011, when the Parent was subject to Vizcaya 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 Chapter IX of Vizcaya Regulatory VAT Decree 12/1993 (19 November) which regulates this tax, at its basic level. GAMESA is the Parent of this tax group.

Gamesa Corporación Tecnológica, S.A. (parent company).	Sistemas energéticos Balazote, S.A. (Sole-Shareholder Company)
Gamesa Electric, S.A. (Sole-Shareholder Company)	Sistemas energéticos Fonseca, S.A. (Sole-Shareholder Company)
Especial Gear Transmissions, S.A. (Sole-Shareholder Company)	Sistemas energéticos Serra de Lourenza, S.A. (Sole-Shareholder Company)
Gamesa Energía, S.A. (Sole-Shareholder Company)	Sistemas energéticos Sierra de Valdefuentes, S.L. (Sole-Shareholder Company)
Cametor, S.L. (Sole-Shareholder Company)	Sistemas energéticos Sierra del Carazo, S.L. (Sole-Shareholder Company)
Gamesa Nuevos Desarrollos, S.A. (Sole-Shareholder Company)	Sistemas energéticos Monte Genaro, S.L. (Sole-Shareholder Company)
Gamesa inversiones energéticas renovables, S.C.R.	Sistemas energéticos Argañoso, S.A. (Sole-Shareholder Company)
International Windfarm Development II, S.L.	Sistemas energéticos Carril, S.A. (Sole-Shareholder Company)
International Windfarm Development III, S.L.	Sistemas energéticos Jaralón, S.A. (Sole-Shareholder Company)
International Windfarm Development IX, S.L.	Sistemas energéticos Lomas del Reposo, S.A. (Sole-Shareholder Company)
International Windfarm Development IV, S.L.	Gamesa Energía Galicia, S.A. (Sole-Shareholder Company)
International Windfarm Development V, S.L.	Sistemas energéticos Tarifa, S.A. (Sole-Shareholder Company)
International Windfarm Development VI, S.L.	International Windfarm Development VII, S.L.

26. Income tax expense (income)

Since 2002 GAMESA and the following subsidiaries subject to Basque Country income tax legislation have filed their income tax returns under the special consolidated tax regime.

Gamesa Corporación Tecnológica, S.A. (parent company).	Sistemas energéticos Balazote, S.A. (Sole-Shareholder Company)
Gamesa Electric, S.A. (Sole-Shareholder Company)	Sistemas energéticos Fonseca, S.A. (Sole-Shareholder Company)
Especial Gear Transmissions, S.A. (Sole-Shareholder Company)	Sistemas energéticos Serra de Lourenza, S.A. (Sole-Shareholder Company)
Gamesa Energía, S.A. (Sole-Shareholder Company)	Sistemas energéticos Sierra de Valdefuentes, S.L. (Sole-Shareholder Company)
Cametor, S.L. (Sole-Shareholder Company)	Sistemas energéticos Sierra del Carazo, S.L. (Sole-Shareholder Company)
Gamesa Nuevos Desarrollos, S.A. (Sole-Shareholder Company)	Sistemas energéticos Monte Genaro, S.L. (Sole-Shareholder Company)
Gamesa inversiones energéticas renovables, S.C.R.	Sistemas energéticos Argañoso, S.A. (Sole-Shareholder Company)
International Windfarm Development II, S.L.	Sistemas energéticos Carril, S.A. (Sole-Shareholder Company)
International Windfarm Development III, S.L.	Sistemas energéticos Jaralón, S.A. (Sole-Shareholder Company)
International Windfarm Development IX, S.L.	Sistemas energéticos Lomas del Reposo, S.A. (Sole-Shareholder Company)
International Windfarm Development IV, S.L.	Gamesa Energía Galicia, S.A. (Sole-Shareholder Company)
International Windfarm Development V, S.L.	Sistemas energéticos Tarifa, S.A. (Sole-Shareholder Company)
International Windfarm Development VI, S.L.	International Windfarm Development VII, S.L..

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 Navarre consolidated tax regime. Gamesa Eólica, S.L. (Sole-Shareholder Company) 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.

The other consolidated companies file individual tax returns.

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 2011 and 2010, 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	
	2011	**2010**
Current tax	19,132	46,094
Deferred taxes (Note 23)	(1,032)	(61,401)
Income tax expense (income)	**18,100**	**(15,307)**

The income tax expense (income) for 2011 and 2010 was determined as follows:

	Thousands of euros	
	2011	**2010**
Consolidated profit before tax	**69,795**	**35,362**
Permanent differences:		
- Exemption of gains from the sale of wind farms	(63,737)	(47,371)
- Assignment of intangible assets	(57,575)	(49,904)
- Impairment of Windar Renovables, S.L. (Note 11)	-	15,000
- Profit/(loss) from companies consolidated using the equity method (Note 11)	(146)	(2,052)
- Dividends	-	-
- Other permanent differences	13	38,694
Adjusted accounting profit	**(51,650)**	**(10,271)**
Gross tax calculated using the tax rate in force in each country (*)	2,754	(2,452)
Tax credits income tax settlement adjustment	(14,457)	(16,520)
Adjustment of tax liquidation prior year	5,004	3,038
Regularization of tax balances	24,799	627
Tax effect of retained earnings (Note 2.f)	-	-
Expense/(revenue) accrued on Corporate income tax	**18,100**	**(15,307)**

(*) 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. When calculating the gross tax the effect of tax-loss carryforwards for the year from certain subsidiaries have not been taken into account since there are doubts that they may be realised.

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 24,650 thousand in tax-loss carryforwards available for offset in future years (31 December 2010: EUR 14,642 thousand). They also have unused tax credits amounting to EUR 106,034 thousand (31 December 2010: EUR 105,390 thousand) (see Note 23).

"Income Tax on Profit from Continuing Operations" in the accompanying consolidated income statement for 2011 includes a charge of EUR 24,799 thousand, mainly due to the recognition of an adjustment of deductions generated in prior years based on recovery projections and EUR 5,004 thousand relating to the difference between the income tax for 2011 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 (2010: EUR 3,038 thousand).

At 31 December 2011, the GAMESA Group companies had unrecognised deferred tax assets. Also, the Group has unrecognised accredited tax loss carryforwards amounting to approximately EUR 5,215 thousand (31 December 2010: EUR 3,590 thousand) and tax deductions amounting to approximately EUR 17,701 thousand (31 December 2010: 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 2011 year-end, in Spain the Group had all years since 2008 open for review for income tax and all years since 2009 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.

27. Obligations and guarantees to third parties

At 31 December 2011, the GAMESA Group had received guarantees from banks and insurance companies that were provided to third parties amounting to EUR 1,705,061 thousand (2010: EUR 1,478,653 thousand). The detail, by type, of the guarantees received by the GAMESA Group is as follows:

	Thousands of euros	
	2011	**2010**
Financing guarantees	73,562	94,878
Business contract guarantees	1,433,799	1,252,803
Guarantees provided to the government	197,700	130,972
Total	**1,705,061**	**1,478,653**

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 2011 and 2010 would not be material.

28. Income and expenses

a) Revenue and other operating income

The detail of these line items in the 2011 and 2010 consolidated income statements is as follows:

	Thousands of euros	
	2011	**2010**
Sale of goods (Notes 3.a and b)	2,480,309	2,209,048
Rendering of services	546,307	526,597
Net revenues	**3,026,616**	**2,735,645**
Operating grants (Note 3.g)	539	163
Own work capitalised (Notes 3.d and 3.e)	113,603	67,688
Other revenues	5,968	28,066
Other operating income	**120,110**	**95,917**

b) Procurements

The detail of "Procurements" in the consolidated income statements for 2011 and 2010 is as follows:

	Thousands of euros	
	2011	**2010**
Acquisitions of raw materials and other supplies	2,344,288	2,078,407
Changes in inventories of goods held for resale and raw materials (Note 14)	(29,504)	(75,630)
	2,314,784	**2,002,777**

c) Staff costs

The breakdown of this balance in the 2011 and 2010 consolidated income statements is as follows:

	Thousands of euros	
	2011	**2010**
Wages and salaries:	268,967	227,508
Treasury share incentive plan (Note 18-e)	6,802	3,315
Termination benefits (Note 3.q)	3,476	1,496
Employer social security costs	57,391	48,437
Other welfare expenses:	18,115	14,360
	354,751	**295,116**

The average number of employees and directors in 2011 and 2010, by professional category, was as follows:

Categories	2011	2010
Directors	10	10
Senior management	16	16
Senior executives	83	77
Management personnel	4,192	3,059
Other employees	3,717	3,571
TOTAL	**8,018**	**6,733**

Also, the headcount at the end of 2011 and 2010, by category and gender, was as follows:

	2011		
	Male	**Female**	**Total**
Directors	8	2	10
Senior management	9	-	9
Senior executives	89	10	99
Management personnel	3,446	1,094	4,540
Other employees	2,856	853	3,709
TOTAL	**6,409**	**1,958**	**8,367**

	2010		
	Male	**Female**	**Total**
Directors	9	1	10
Senior management	14	2	16
Senior executives	69	8	77
Management personnel	2,344	815	3,159
Other employees	2,718	938	3,656
TOTAL	**5,154**	**1,764**	**6,918**

After receiving a report from the Nominations and Compensation Committee the Board of Directors held a meeting on 14 December 2011 and adopted a resolution to reduce senior management to nine members.

The average number of employees at the Group in 2011 and 2010, with a disability equal to or greater than 33%, by category, was as follows:

Categories	2011	2010
Management personnel	1	5
Other employees	18	13
TOTAL	**19**	**18**

d) Other operating expenses

The breakdown of this balance in the 2011 and 2010 consolidated income statements is as follows:

	Thousands of euros	
	2011	**2010**
Rent and royalties	57,986	45,833
Repair, upkeep and maintenance expenses	28,409	17,184
Independent professional services	46,131	81,966
Vehicles	13,903	38,057
Insurance	20,483	32,455
Bank and similar services	16,269	9,323
Advertising, publicity and public relations	7,572	3,939
Utilities	22,804	21,230
Travel expenses	43,303	28,610
Telecommunications	5,933	5,840
Security	2,399	2,405
Cleaning	3,075	2,619
Outsourcing	53,251	36,797
Taxes	11,944	6,252
Other ordinary expenses	27,600	26,602
	361,062	**359,112**

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.j). The term of these leases is between ten and twelve years. The monthly charge in 2011 to the accompanying consolidated income statement for the leases on these properties amounted to approximately EUR 184 thousand (2010: EUR 174 thousand).

At 31 December 2011, the future minimum lease payments under non-cancellable operating leases arranged by the GAMESA Group totalled approximately EUR 29,321 thousand (31 December 2010: EUR 29,529 thousand). The due dates for the operating lease instalments that cannot be cancelled are as follows:

	Thousands of euros		
2011	**2012**	**2013-2017**	**+2017**
Operating lease instalments that cannot be cancelled	7,337	20,371	1,583

	Thousands of euros		
2010	**2011**	**2012-2016**	**+2016**
Operating lease instalments that cannot be cancelled	7,638	17,675	4,216

At 31 December 2011, the Company had recognised EUR 4,000 thousand under "Long-Term Deposits and Guarantees" (see Note 13-b) in respect of existing leases (2010: EUR 5,546 thousand).

e) Depreciation and amortisation charge and provisions

The breakdown of this balance in the 2011 and 2010 consolidated income statements is as follows:

	Thousands of euros	
	2011	**2010**
Property, plant and equipment depreciation charge (Note 10)	70,132	69,865
Intangible asset amortisation charge (Note 9)	28,862	32,669
Depreciation/amortization	**98,994**	**102,534**
Change in operating provisions for warranties and other (Note 22)	95,644	100,379
Change in write-downs of inventories (Note 14)	31,129	2,898
Change in other operating allowances and provisions	7,096	2,863
Allowances	**133,869**	**106,140**
Depreciation and provisions	**232,863**	**208,674**

f) Finance

The breakdown of this balance in the 2011 and 2010 consolidated income statements is as follows:

	Thousands of euros	
	2011	**2010**
Profits on available-for-sale assets	73	386
Other finance and similar income	14,684	17,317
	14,757	**17,703**

g) Finance costs

The breakdown of this balance in the 2011 and 2010 consolidated income statements is as follows:

	Thousands of euros	
	2011	**2010**
Finance and similar costs (Note 20)	73,457	57,806
Transfer of gains/losses on hedges of cash flows (Note 21)	7,429	9,512
	80,886	**67,318**

All derivative financial instruments have been efficient in 2011 and 2010.

Capitalised interest in 2011 and 2010 totalled EUR 6,470 thousand and EUR 3,491 thousand, respectively. The average capitalisation rates used in 2011 and 2010 were 3.8% and 2.86% respectively.

29. Remuneration of directors

In 2011 the directors of GAMESA earned attendance fees, wages and salaries and other income amounting to approximately EUR 3,268 thousand (2010: EUR 3,037 thousand). The detail of the aforementioned amount is as follows:

	Thousands of euros	
	31.12.2011	**31.12.2010**
Directors		
Type of remuneration		
Fixed compensation	1,969	1,931
Variable compensation	848	609
Per diems	321	331
Bylaw-stipulated directors' emoluments	135	135
Transactions involving shares and/or other financial instruments	-	-
Other benefits	**3,273**	**3,006**
Prepayments	-	-
Loans granted	-	-
Pension funds and plans: Contributions	-	-
Pension funds and plans: Contractual obligations	-	-
Life insurance premiums	37	31
Guarantees given for directors	-	-
	3,310	**3,037**

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

Fixed compensation in 2011 is the same as 2010 and the increase in the total figure accrued is due to the appointment of new positions to the Board in 2010, which have been held for all of 2011. In addition, within the EUR 848 thousand for the variable compensation for the CEO, both the annual variable compensation accrued and the amount for the Stock Plan approved by Shareholders (Note 18) associated with the attainment of the objectives for the period 2009-2011 (settled early on 30 May 2011) and the Long-term stock incentive plan 2011-2013, which will be settled in 2014 in accordance with the extent to which objectives have been effectively met.

	Thousands of euros	
	31.12.11	**31.12.10**
Type of director		
Executives	1,999	1,759
Non-executive proprietary directors	242	274
Non-executive independent directors	753	639
Other non-executive directors	316	365
	3,310	**3,037**

At 2011 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 company	Activity	Number of share	Function
Arregui Ciarsolo, Juan Luis	Iberdrola, S.A.	Electricity industry	30,284,584	None
IBERDROLA, S.A.	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	None
Scottish Power, Limited	Scottish Power Limited		106,197,793	None
Rubio Reinoso, Sonsoles	Iberdrola, S.A.	Electricity industry	9,327	Director of Internal Audit of the Renewable Business
Fernández-Lerga, Carlos	Iberdrola, S.A.	Electricity industry	560	None

Mr. Santiago Bergareche Busquet, member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. until 11 February 2011 owns four thousand eight hundred fifty six (4,856) shares in the company. He directly owns one hundred and one shares (101) and indirectly four thousand seven hundred and fifty five (4,755) shares.

Mr. Pedro Velasco Gómez, member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. until 14 December 2011 owns one thousand five hundred and nineteen (1,519) shares in the company and was at that date the Director of Non-Energy Businesses and Assets at IBERDROLA, S.A.

Mr. José Miguel Alcolea Cantos, the natural person representative of IBERDROLA, S.A. on the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. until 14 December 2011 does not own any shares in the Company and he was the Director of Legal Services for the businesses carried out by IBERDROLA, S.A., a significant shareholder of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

The members of the Board of Directors were affected by the following conflicts of interest in 2011:

- IBERDROLA, S.A.: In accordance with the procedure established in Article 35 of the Board of Directors Regulations for GAMESA CORPORACIÓN TECNOLÓGICA, S.A., when the Board has deliberated and adopted any resolutions relating to operations with IBERDROLA, S.A. and/or group companies, it did not participate in the deliberation, voting, decision and execution of the resulting resolution.

  This occurred at the Board meetings held on 19 July 2011 and 14 December 2011.

- Velasco Gómez, Pedro In accordance with the procedure established in Article 35 of the Board of Directors Regulations for GAMESA CORPORACIÓN TECNOLÓGICA, S.A., when the Board and the Audit and Compliance Committee has deliberated and adopted any resolutions relating to operations with IBERDROLA, S.A. and/or group companies, he did not participate in the deliberation, voting, decision and execution of the resulting resolution.

This occurred at the Audit and Compliance Committee meetings held on 21 July 2011 and 13 December 2011 and the Board meeting held on 19 July.

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

30. Remuneration of senior executives

The remuneration (salary, compensation in kind, social security contributions, etc.) relating to senior management, excluding those who are simultaneously members of the Board of Directors (whose remuneration is detailed above) amounted to EUR 4,378 thousand in 2011 (2010: EUR 8,109 thousand). The compensation paid or payable to members of senior management for past employment services is set out in the following table:

	Thousands of euros	
	2011	**2010**
Employee salaries and other short-term compensation	3,398	5,901
Termination benefits	-	656
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	980	1,552
TOTAL	**4,378**	**8,109**

Furthermore, the heading "Share-based payments" under Senior management compensation includes both the Long-term Incentive Plan 2009-2011 and the Long-term Incentive Plan 2011-2013, which will be settled in 2014 based on the effective compliance with the objectives established.

In 2011 and 2010 there were no transactions with executives other than those carried out in the ordinary course of business.

31. 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 and companies that are related parties which were not eliminated on consolidation in 2011 and 2010 is as follows:

	Thousands of euros			
2011	**Balances receivable**	**Balances payable**	**Sales and services rendered**	**Services received**
Iberdrola, S.A. and subsidiaries (Notes 17 and 18)	369,311	250,324	553,995	4,914
Renovables, S.L. and subsidiaries (Note 11)	221	27,612	4,649	97,888
TOTAL	**369,532**	**277,936**	**558,644**	**102,802**

	Thousands of euros			
2010	**Balances receivable**	**Balances payable**	**Sales and services rendered**	**Services received**
Iberdrola, S.A. and subsidiaries (Notes 17 and 18)	173,320	67,105	993,958	7,548
Renovables, S.L. and subsidiaries (Note 11)	230	46,156	65,188	116,245
TOTAL	**173,550**	**113,261**	**1,059,146**	**123,792**

Strategic agreement with Iberdrola Renovables, S.A. 2009

In 2009 GAMESA and Iberdrola Renovables, S.A. (a subsidiary of Iberdrola, S.A.) 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. continued to manage their respective wind power projects autonomously. Starting on 1 July 2011, both parties could have exercised at any time during six months, a put or call option on Gamesa Group's businesses. If at the deadline for exercising these options none of the parties exercised this Strategic Agreement it would be automatically terminated.

The strategic agreement could have been 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 would 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 would 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, would 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.

On 27 July 2011, GAMESA and Iberdrola, S.A. concluded an agreement under which they decided not to exercise the options, declared them cancelled and the Strategic Agreement terminated which definitively means that the wind energy business combination established under the Strategic Agreement will not take place.

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. At 31 December 2011 this agreement was terminated together with the termination of the Strategic Agreement.

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.

Through its subsidiary Gamesa Eólica, S.L. (Sole-Shareholder Company), on 21 December 2011 Gamesa and Iberdrola, S.A. concluded a framework agreement relating to the supply and maintenance of wind turbines. Under that agreement, Gamesa and Iberdrola, S.A. have assumed the following commitments:

- Iberdrola, S.A shall acquire from Gamesa Group a quota of megawatts equivalent to 50% of the total on-shore wind turbine fleet that Iberdrola, S.A. acquires for its Renewables Business Unit during the term of the Framework Agreement.

  This commitment will be in force between 1 January 2013 and 31 December 2022 or the date on which the number of megawatts acquired by Iberdrola Group from Gamesa Group under the Framework agreement totals 3,800, whichever occurs first.

  The framework agreement replaces the previous contract. Nevertheless, the rights and obligations resulting from the framework agreement remain in force with respect to supplies prior to the framework agreement, which includes the planning of 502 megawatts.

- Gamesa and Iberdrola, S.A will closely collaborate with new opportunities relating to the offshore wind business.

- Gamesa and Iberdrola, S.A will collaborate within the area of maintenance services so that Gamesa Eólica will become a company of reference with respect to wind farm maintenance throughout Iberdrola's business. In particular, the following agreements have been reached:

  (a) Establish new areas of study and analysis for the rendering of maintenance services by Gamesa to Iberdrola, particularly the rendering of those services in the United States, the sale and installation of wind turbine reliability improvements or the extension of their useful lives and the conversion and update of wind turbine models.

  (b) The extension of current maintenance services in the following terms:

    i. Award Gamesa maintenance services for 503 MW of capacity involving G5x and G4x wind turbines outside of warranty for 3 years at wind farms located in Albacete and Cuenca.

    ii. Contract Gamesa for 3 years starting on 1 January 2012 to render maintenance services for 584 G47 machines (380 MW and 1,018 G5x machines (865.3 MW) that are currently covered by the operation and maintenance agreement dated 1 January 2009 that ends on 31 December 2011.

    iii. Extend the operation and maintenance agreement relating to the maintenance of 1,156 G8x (2,312 MW) wind turbines out of warranty at wind farms in Spain and Portugal for an additional 1 year until 31 December 2012.

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, without this affecting the normal course of its commercial operations.

32. Other disclosures

a) Financial position

As indicated in Note 20, at 31 December 2011, GAMESA Group had been granted loans and undrawn credit facilities that accounted for 38.67% of the total financing granted to it (31 December 2010: 62.26%). 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 2012 are fully covered.

b) Disclosures on the payment periods to suppliers

Details of payments for commercial transactions carried out during the year and pending payment at the year end, as they relate to the maximum legal deadlines established by Law 15/2010, is as follows:

Payments made and pending payment as the balance sheet closing date	Thousands of euros	%
Payments during the year within the maximum legal limit	292,409	38%
Other	467,850	62%
Total payments during the year	**760,259**	**100%**
Average excess payment period (days)	**24**	
Balance pending payment at the year-end that exceeds the maximum legal limit	**78,142**	

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July, 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.

33. Fees paid to auditors

In 2011 and 2010 the fees for financial audit and other services provided by the auditor of the Group's consolidated financial statements, (PricewaterhouseCoopers, S.L. in 2011 and Deloitte, S.L. in 2010, or by firms in the their organisations), 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	
2011	**Services rendered by deloitte**	**Services provided by other audit firm**
Audit services	1,149	69
Other attest services	9	32
Total audit and related services	**1,158**	**101**
Tax counselling services	-	418
Other services	35	1,711
Total services other companies in the network	**35**	**2,129**
Total professional services	**1,193**	**2,230**

	Thousands of euros	
2010	**Services rendered by Deloitte**	**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	296
Other services	184	1,272
Total services other companies in the network	**266**	**1,568**
Total professional services	**1,717**	**2,265**

34. Earnings per share

At 31 December 2011 the average number of ordinary shares used in the calculation of earnings per share is 247,289,984 shares (247,289,984 shares at 31 December 2010) (Note 18.a), given that in 2011 GAMESA has held an average of 3,206,984 treasury shares (3,182,577 in 2010) (Note 18.e).

The basic earnings per share from continuing operations attributable to the Parent in 2011 and 2010 were as follows:

	2011	**2010**
Net profit from continuing operations attributable to the Parent (thousands of euro)	51,112	50,192
Average number of shares outstanding	244,083,000	244,107,407
Basic earnings per share from continuing operations (euro)	0,2094	0,2056

At 31 December 2010 and 2010, 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.

35. Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following, among others, are the most significant standards 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:

		Obligatory application in the years beginning on or after
Standards, amendments and interpretations:		
Approved for use by the EU		
IFRS 7 (Revised).	Disclosures- Transfer of financial assets	1 July 2011
Not yet approved for use in the European Union		
IFRS 1 (Revised).	Severe hyperinflation and the elimination of set dates applicable to first-time adopters	1 July 2011
IAS 12 (Revised)	Deferred taxes: recovery of underlying assets	1 January 2012
IAS 1 (Revised)	Presentation in financial statements	1 July 2012
IFRS 9	Financial instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IAS 27 (Revised)	Separate financial statements	1 January 2012
IAS 28 (Revised)	Investments in associates and joint ventures	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 19 (Revised)	Employee benefits	1 January 2013

The Directors are reviewing the potential impact of the future application of these standards:

IFRS 11 "Joint Arrangements".

IFRS 11 provides an accounting treatment for joint agreements based on the rights and obligations deriving from the agreement and not on its legal format. The types of joint agreements are reduced to two: joint operations and joint ventures. Joint operations mean that a participant has direct rights to the assets and obligations deriving from the agreement and therefore recognises its share in proportion to the assets, liabilities, revenues and expenses recorded by the company in which the interest is held. Joint ventures arise when a participant has the right to the results obtained or to the net assets of the company in which the interest is hedl and therefore uses the equity method to recognise its stake in the company. Stakes in joint ventures may no longer be recognised using the proportional consolidation method.

This amendment is mandatory for all years commencing as from 1 January 2011. The changes in accounting treatment required by IFRS 11 are reflected at the start of the oldest period presented in the financial statements. The standard contains a specific guide as to how to transition from the proportional method to the equity method and vice-versa.

Early application of IFRS 11 is allowed, provided that IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosures of interests in other entities", IAS 27 (revised in 2011) "Separate financial statements" and IAS 28 (revised in 2011) "Investments in associates and joint ventures" are applied at the same time. At the date these consolidated annual accounts were prepared this standard had yet to be adopted by the European Union.

The impact of recognising joint ventures using the equity method would give rise to a reduction in the total assets of approximately EUR 1 million.

FRS 7 (Revised) "Disclosures – Transfers of financial assets"

The amendment of IFRS 7 requires that additional disclosures be made of exposure to risk deriving from financial assets transferred to third parties. It requires risk assessment and benefits be included with respect to transactions that do not qualify for the elimination of financial assets, and the identification of the associated financial liabilities and the details of information regarding transactions that did qualify for the elimination of financial assets increased: the result generated by the transaction, risks and remaining benefits and their initial and future recognition, and the estimated fair value of the "continued involvement" recognised in the balance sheet. Among others, this modification wold affect the sale transactions involving financial assets, factoring agreements, financial asset securitisation and securities loan agreements.

This amendment will have an impact on the information to be disclosed in the cases of transfers of financial assets.

IAS 1 (Revised), "Presentation of financial statements".

This amendment changes the presentation of the other statement of comprehensive income, requiring that the items included in other comprehensive income be grouped in to two categories based on whether or not they will be transferred to the income statement. Those items that will not be transferred to the income statement, such as restatements of property, plant and equipment, will be presented separate from the other items that in the future will affect the income statement, such as losses and gains on cash flow hedges.

As was the case with the previous version of IAS 1, the option of presenting the items in other comprehensive results before taxes is maintained. If a company opts for this possibility, it must show the tax effect for both groups of items separately. IAS 1 also changed the name of the "Comprehensive income statement" and is now called "Statement of profit and loss and other comprehensive income". Alternative names may be used.

This amendment will have an impact on the presentation of the other statement of comprehensive income.

IFRS 9, "Financial instruments"

The issue of IFRS "Financial Instruments" in November 2009 represented the first step in the IASB's project to replace IAS 39, "Financial Instruments": Recognition and measurement". IFRS 9 simplifies the accounting for financial assets and introduces new requirements for their classification and measurement. It requires that the financial assets that are maintained primarily to hedge cash flows that represent the payment of principal and interest are measured at amortised cost, while all other financial assets, including those held for trading, are measured at fair value. Accordingly, a value impairment model is only required for the financial assets recognised at amortised cost. In October 2010 the IASB updated the content of IFRS 9 to include the criteria to recognise and subsequently measure financial liabilities and the criteria for eliminating of financial instruments. The previous requirements of IAS 39 have not been modified in this respect, except with respect to the subsequent recognition of financial liabilities measured at fair value through changes in profit and loss. With respect to these items, changes in fair value deriving from the consideration of credit risk are to be recognised as revenues and expenses directly under equity. The amounts recorded under equity are not taken to the income statement, although they may be reclassified to other equity headings. However, if at the time of the initial recognition of these liabilities it is determined that such recognition would give rise to a mismatch with the measurement of the associated financial assets, all changes in value would be taken to the income statement. For the moment, the current requirements of IAS 39 with respect to the impairment of financial assets and the accounting of hedges continue to be applicable.

IFRS 10, "Consolidated financial statements".

IFRS 10 introduces changes in the concept of control, which continues to be defined as a determining factor as to whether or not the company chould be included in the consolidated financial statements. IFRS 10 replaces the guidelines regarding control and consolidation established in IAS 27 "Consolidated and separate financial statements" and eliminates SIC 12 "Consolidation - Special purpose entities"

In order for control to exist, two elements of poweer over a comapny and variable yields must be present. Power is defined as the capacity to direct the activities of a company in a manner that significantly afects its performance. The standard provides an extensive application guide for those cases in which it is difficult to determine whether or not control exists, for example, when an investor holds less than one-half of the voting rights in a company. The concept of unity between a parent company and its subsidiaries for the purposes of consolidated financial statements and consolidation procedures have not chan ged with respect to the previous IAS 27.

FRS 12 “Disclosure of interests in other entities”.

IFRS contains the disclosure requirements for companies that report under the new IFRS 10 "Consolidated financial statements" and the new IFRS 11 "Joint arrangements". In addition, it replaces the disclosure requirements previously included in the former IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures". UNder IFRS 12 disclosures must include information that allows users of the financial statements to evaluate the nature, risks and financial effrects associates with the company's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Among other requirements disclosures must contain:

- Significant assumptions and judgments used when determining the existence of control, joint control or significant influence.
- The composition of the group, including the participation of non-controlling interest in the Group's activities and its cash flows.
- The risks associated with the consolidated structured entities, for example, agreements that may require the group to provide financial assistance to the entity.
- The accounting of transactions with non-controlling interests in situations in which control over the subsidiary is maintained or lost.
- Shareholdings in associates and joint arrangements (similar to the requirements of the previous IAS 28).
- Information regarding the nature, purpose, size, activities and financing of unconsolidated structured entities, financial information regarding the entity (revenues, assets), information regarding the assets and liabilities recognised in the balance sheet that relate to these structured entities, maximum losses that may arise from the interest and the financial assistance rendered to the entity or if there is any current intention to provide such assistance.

IAS 27 (Revised) “Separate financial statements”.

The requirements previously established in IAS 27 with respect to the preparation of consolidated financial statements are included in the new IFRS 10 and therefore the former's scope of application is reduced to the accounting for investments in subsidiaries, joint ventures and associates in the individual financial statements under IFRS prepared by the investing company, which have not been changes with respect to the preceding legislation (i.e. recognition at cost of fair value according to the requirements of IFRS 9).

IAS 28 (Revised) “Investments in associates and joint ventures”.

IAS 28 has been updated to include references to the joint ventures, which under IFRS 11 "Joint arrangements" have to be recognised using the equity method. Simultaneously information regarding the following aspects has been added:

- Accounting treatment of instruments that provide potential voting rights.
- Measurement of shareholdings in associates and joint ventures in the hands of venture capital companies, mutual companies and other similar entities.
- Accounting treatment when the shareholding in an associate or joint venture is reduced by the equity method continues to be applicable.
- Accounting treatment of the contribution of a non-monetary asset to an associate or joint venture in exchange for receiving a share in the company's equity.

FRS 13 "Fair value measuremen

IFRS 13 is the result of the joint project between the IASB and the FASB (Financial Accounting Standards Board in the US) which explains how to measure items at fair value and has the purpose of improving and expanding the disclosure requirements regarding fair value. This standard does not establish what items must be measured at fair value or add new requirements to measure at fair value in addition to those already in existence.

Fair value is defined as the price that would be received on the sale of an asset or which would be paid to transfer a liability in an ordered transaction between market participants at thge measurement date (exit date). It is a measurement based on market expectations and not those of the company. There is a 3 level hierarchy, the same hierarchy as that established under IFRS 7 for fair value measurements based on the type of inputs and the measurement techniques used. As regards the disclosure requirements under the new standard, among others, the measurement emthods, date used and cnay change in the measurement techniques employed must be disclosed.

IAS 19 (Revised) "Employee benefits"

The amendment of IAS 19 significantly changes the recognition and measurement of defined benefit pension expenses and severance payments, as well as disclosures of all employee benefits. Among others, the following aspects of IAS 19 have been amended:

- Actuarial gains and losses (now called restatements) may only be recognised under Other Comprehensive income/expense. The options to defer actuarial gains and losses using the corridor approach and recognising htem directly in the income statement have been eliminated. The restatements that are recognised in other comprehensive income cannot be taken to the income statement.

- The cost of past services must be recognised in the year in which the plan is modified and unconsolidated benefits cannot be deferred to the future in a service period. Reductions take place only when the number of employees affected by the plan is significantly reduced. Gains and losses deriving from the reductions will be recognised in the same manner as past services.

- The annual expense of a financed benefit plan will include the net interest expense or income, which will be calculated by applying the discount rate to net assets or liabilities for defined benefits.

- Benefits that require the performance of future services will not be considered to be indemnities.

36. Events Subsequent to Year-End

There are no significant events that took place after the year end that have not been disclosed in the consolidated financial statements.

APPENDIX

COMPANIES COMPOSING THE GAMESA GROUP AT 31 DECEMBER 2011

Company	Line of business	Auditor	Location	% of direct and indirect ownership	THOUSANDS OF EUROS Share capital	Reserves	Profit (Loss) for the year after tax
FULLY CONSOLIDATED COMPANIES							
A) GAMESA ENERGÍA GROUP							
Gamesa Energía, S.A. Sole-Shareholder Company	Development of windfarms	PWC	Vizcaya	100%	35,491	399,272	(22,831)
A.1 Wind farms							
Development of wind farms							
Gamesa Inversiones Energéticas Renovables, S.C.R. de Régimen Simplificado, S.A.	Development of windfarms	PWC	Vizcaya	100%	1,200	965	9,135
Gamesa Energía Italy, S.P.A.	Development of windfarms	PWC	Italy	100%	570	1,732	(2,262)
Gamesa Energiaki Hellas, A.E.	Development of windfarms	PWC	Greece	100%	234	(696)	(563)
Gamesa Energía Portugal, S.A.	Development of windfarms	PWC	Portugal	100%	475	1,024	(1,166)
Gamesa Energie France, E.U.R.L.	Development of windfarms	Deloitte	France	100%	60	(3,040)	(3,197)
Parques Eólicos del Caribe, S.A.	Development of windfarms	PWC	Dominican Rep.	57%	918	(499)	(182)
Navitas Energy, Inc.	Development of windfarms	PWC	USA	97%	252	(6,403)	(1,089)
Gamesa Energy Romania, Srl	Development of windfarms	-	Romania	100%	-	(1,390)	(1,248)
Whitehall Wind, LLC	Operation of windfarms	-	USA	100% Navitas	-	-	-
Gamesa Energía Polska Sp. Zoo	Development of windfarms	PWC	Poland	100%	112	(524)	(1,339)
Gamesa Energy UK, Ltd.	Development of windfarms	PWC	UK	100%	-	(2,763)	(2,675)
Wind Portfolio Holdings, LLC (*)	Development of windfarms	-	USA	100%	-	-	-
Wind Portfolio SponsorCo, LLC (*)	Development of windfarms	-	USA	100%	-	-	-
Gamesa Energie Deutschland, GmbH	Development of windfarms	PWC	Germany	100%	575	(1,982)	(898)
GERR, Grupo Energético XXI, S.A Sole-Shareholder Company	Development of windfarms	-	Barcelona	100%	1,605	(2,381)	(2,089)

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
International Wind Farm Developments II, S.L.	Development of windfarms	-	Vizcaya	100%	3	(74)	(194)
International Wind Farm Developments III, S.L.	Development of windfarms	-	Vizcaya	100%	3	(35)	(49)
International Wind Farm Developments IX, S.L.	Development of windfarms	-	Vizcaya	100%	3	(2)	(122)
Gamesa Bulgaria EOOD	Development of windfarms	PWC	Bulgaria	100%	3	(498)	(543)
International Wind Farm Development IV S.L. (*)	Development of windfarms	-	Vizcaya	100%	3	-	(1)
International Wind Farm Development V S.L. (*)	Development of windfarms	-	Vizcaya	100%	3	-	(1)
International Wind Farm Development VI S.L. (*)	Development of windfarms	-	Vizcaya	100%	3	-	(1)
International Wind Farm Development VII S.L. (*)	Development of windfarms	-	Vizcaya	100%	3	-	(1)
Gamesa Energy Sweden AB (*)	Development of windfarms	-	Sweden	100%	5	310	(296)
Operation of wind farms							
Baileyville Wind Farm, LLC	Operation of windfarms	-	USA	97%	-	-	-
Windfarm 33 Gmbh	Operation of windfarms	-	Germany	100%	25	(2)	-
Windfarm Thransheide GmbH	Operation of windfarms	-	Germany	100%	25	(2)	(16)
Windfarm 35 Gmbh	Operation of windfarms	-	Germany	100%	25	(1)	(2)
Windfarm Sarow GmbH	Operation of windfarms	-	Germany	100%	25	(2)	(6)
Windfarm 38 Gmbh	Operation of windfarms	-	Germany	100%	25	(2)	-
Windfarm 39 Gmbh	Operation of windfarms	-	Germany	100%	25	(2)	-
Windfarm 40 Gmbh	Operation of windfarms	-	Germany	100%	25	(2)	-
Windfarm 41 Gmbh	Operation of windfarms	-	Germany	100%	25	(2)	-
S.E. Balazote, S.A. Sole-Shareholder Company	Operation of windfarms	-	Toledo	100%	61	(8)	(2)
S.E. Cabezo Negro, S.A. Sole-Shareholder Company	Operation of windfarms	-	Zaragoza	100%	61	(917)	(61)
SAS SEPE du Mont de Chatillon	Operation of windfarms	-	France	100%	4	24	(2)
SAS SEPE de la Pomarede	Operation of windfarms	-	France	100%	4	20	(2)
SAS SEPE du Plateu	Operation of windfarms	-	France	100%	4	17	(2)
SAS SEPE D´ Atlancia	Operation of windfarms	-	France	100%	4	24	(1)
SAS SEPE de Meuse et Mouzon	Operation of windfarms	-	France	100%	4	24	(2)
PETAF - Energia Eolica Sociedade Unipessoal Lda	Operation of windfarms	-	Portugal	100%	5	(2)	-
Sistemas Energéticos La Plana, S.A.	Operation of windfarms	ATTEST	Zaragoza	90%	421	2.152	925

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos Ferrol Nerón, S.A. Sole-Shareholder Company	Operation of windfarms	-	A Coruña	100%	61	(26)	(19)
Sistemas Energéticos La Jimena, S.A.	Operation of windfarms	-	Soria	60%	313	(290)	(53)
Sistemas Energéticos Barandón, S.A.	Operation of windfarms	-	Valladolid	100%	61	(4)	-
Elliniki Eoliki Energiaki, A.E.	Operation of windfarms	PWC	Greece	86%	69	(35)	(140)
Eoliki Peloponisou Lakka Energiaki A.E.	Operation of windfarms	PWC	Greece	86%	59	(49)	(5)
Eoliki Attikis Energiaki A.E.	Operation of windfarms	PWC	Greece	86%	59	(49)	(5)
Parco Eolico Orune, Srl	Operation of windfarms	-	Italy	100%	30	(18)	(3)
Parco Eolico di Pedru Ghisu, Srl	Operation of windfarms	-	Italy	90%	30	(18)	(4)
Parco Eolico Nevena, Srl	Operation of windfarms	-	Italy	100%	30	(19)	(3)
Parco Eólico Punta Ferru, S.R.L.	Operation of windfarms	-	Italy	90%	30	(8)	(2)
Marsica Vento, S.R.L.	Operation of windfarms	-	Italy	90%	30	(9)	(2)
Sistemas Energéticos Ventorrillo, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(6)	(4)
Eólica Dos Arbolitos, S.A.P.I. de C.V. (*)	Operation of windfarms	-	Mexico	87.5%	-	-	-
Elecdey Barchín, S.A. (*)	Electricity production	-	Cuenca	100%	200	(3)	(2)
Sistemas Energéticos Carellana, S.A. Sole-Shareholder Company	Operation of windfarms	-	Toledo	100%	61	(5)	-
Sistemas Energéticos Ritobas, S.A. Sole-Shareholder Company	Operation of windfarms	-	Valladolid	100%	61	(3)	-
Sistemas Energéticos de Tarifa, S.L. Sole-Shareholder Company.	Development of windfarms	-	Vizcaya	100%	61	(106)	(111)
Sistemas Energéticos Argañoso, S.L. Sole-Shareholder Company.	Development of windfarms	-	Vizcaya	100%	61	(18)	-
Sistemas Energéticos Odra, S.A. Sole-Shareholder Company.	Operation of windfarms	-	Toledo	100%	61	(4)	-
Sistemas Energéticos Ortegal, S.A.	Operation of windfarms	-	A Coruña	80%	61	(7)	-
Sistemas Energéticos del Sur, S.A.	Operation of windfarms	-	Sevilla	70%	600	(241)	(103)
Sistemas Energéticos Castillejo, S.A. Sole-Shareholder Company	Operation of windfarms	-	Toledo	100%	61	(4)	-
Sistemas Energéticos los Nietos, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(4)	-
Sistemas Energéticos Sierra de Lourenza, S.A. Sole-Shareholder Company	Operation of windfarms		Vizcaya	100%	61	(57)	(1)
Sistemas Energéticos Loma del Reposo, S.L. Sole-Shareholder Company	Development of windfarms	-	Vizcaya	100%	61	(11)	-
Sistemas Energéticos La Jauca, S.A. Sole-Shareholder Company	Operation of windfarms		Sevilla	100%	61	(4)	-

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos Edreira, S.A. Sole-Shareholder Company	Operation of windfarms	-	A Coruña	100%	61	2	-
Sistemas Energéticos Del Toro, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	-
Sistemas Energéticos Cañarete, S.A.Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(4)	-
Sistemas Energéticos El Pertiguero, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(4)	-
Sistemas Energéticos Campoliva, S.A. Sole-Shareholder Company	Operation of windfarms	-	Zaragoza	100%	61	(3)	(5)
Sistemas Energéticos Herrera, S.A. Sole-Shareholder Company	Operation of windfarms	-	Zaragoza	100%	61	(4)	(12)
Sistemas Energéticos Carril, S.L.Sole-Shareholder Company	Development of windfarms	-	Vizcaya	100%	61	(4)	-
Gesacisa Desarrolladora SA de CV	Operation of windfarms	PWC	Mexico	87.5%	6	4	(119)
Sistemas Energéticos Del Zenete, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(4)	-
Sistemas Energéticos Alcohujate, S.A. Sole-Shareholder Company	Operation of windfarms	-	Toledo	100%	61	(12)	(4)
Energiaki Megas Lakkos, S.A.	Operation of windfarms	PWC	Greece	100%	60	(30)	(6)
SAS SEPE de Menetreol Sous Vatan	Operation of windfarms	Deloitte	France	100%	37	(33)	(4)
SAS SEPE des Potences	Operation of windfarms	-	France	100%	4	(15)	(3)
SAS SEPE Serre du Bichou	Operation of windfarms	-	France	100%	4	14	(2)
SAS SEPE Saint Georges de Noisné	Operation of windfarms	Deloitte	France	100%	37	(53)	(3)
SAS SEPE Lingevres	Operation of windfarms	-	France	100%	4	23	(2)
SAS SEPE Corlay Saint Mayeux	Operation of windfarms	-	France	100%	4	9	(2)
SAS SEPE St. Loup de Saintonge	Operation of windfarms	-	France	100%	4	21	(2)
SAS SEPE Villiers Vouille et Yversay	Operation of windfarms	-	France	100%	4	17	(2)
SAS SEPE Souvigne	Operation of windfarms	Deloitte	France	100%	37	(19)	(110)
SAS SEPE Dampierre Prudemanche	Operation of windfarms	Deloitte	France	100%	37	(160)	(7)
SAS SEPE de L'Epinette	Operation of windfarms	-	France	100%	4	17	(2)
SAS SEPE Germainville	Operation of windfarms	Deloitte	France	100%	37	(18)	(3)
SAS SEPE Ecueille	Operation of windfarms	Deloitte	France	100%	4	(36)	(13)
SAS SEPE Janaillat at Saint Dizier Leyrenne	Operation of windfarms	Deloitte	France	100%	37	(57)	(3)
SAS SEPE Moreac	Operation of windfarms	Deloitte	France	100%	37	11.459	(11,877)
SAS SEPE Poullan	Operation of windfarms	-	France	100%	4	19	(2)

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
SAS SEPE Kaymard	Operation of windfarms	-	France	100%	4	20	(2)
SAS SEPE des 4 Vallés	Operation of windfarms	Deloitte	France	100%	37	(16)	(10)
SAS SEPE Monplaisir	Operation of windfarms	-	France	100%	4	18	(2)
Urgeban Grupo Energético, S.A. Sole-Shareholder Company	Development of windfarms	-	Valencia	100%	300	(251)	-
Ortona Vento, S.R.L.	Operation of windfarms	-	Italy	87.5%	30	(12)	(2)
Monte Selva, S.R.L.	Operation of windfarms	-	Italy	86.5%	30	(12)	(2)
Sistemas Energéticos el Valle, S.L.	Operation of windfarms	-	Navarra	100%	3	-	(1)
Sistemas Energéticos Fonseca, S.A. Sole-Shareholder Company	Operation of windfarms	-	A Coruña	100%	61	(105)	(25)
Sistemas Energéticos del Umia, S.A. Sole-Shareholder Company	Operation of windfarms	-	A Coruña	100%	61	(9)	(6)
Sistemas Energéticos Cuntis, S.A.	Operation of windfarms	-	A Coruña	100%	61	(12)	(4)
Parque Eólico do Pisco, S.A.	Operation of windfarms	-	Portugal	100%	50	(16)	(19)
Sistemas Energéticos La Cámara, S.L.	Operation of windfarms	-	Sevilla	100%	3	-	(2)
Energies Renouvelables Development, S.A.R.L.	Development of windfarms	-	France	100%	9	(16)	-
Sistemas Energéticos Fuerteventura, S.A. Sole-Shareholder Company	Operation of windfarms	-	Canarias	100%	61	(8)	-
Sistemas Energéticos Arico, S.A. Sole-Shareholder Company	Operation of windfarms	-	Canarias	100%	61	(6)	(2)
Sistemas Energéticos Alto de Croa, S.A. Sole-Shareholder Company	Operation of windfarms	-	A Coruña	100%	61	(47)	(6)
Sistemas Energéticos Cabanelas, S.A. Sole-Shareholder Company	Operation of windfarms	-	A Coruña	100%	61	(9)	(2)
Abruzzo Vento, Srl	Construction and operation of windfarms	-	Italy	90%	30	(19)	(6)
Eólica Da Cadeira, S.A.	Development of windfarms	-	A Coruña	65%	60	(40)	(5)
EBV Holding Verwaltung GMBH	Development of windfarms	-	Germany	100%	25	14	-
Stipa Nayaa, Sociedad de Capital Variable	Operation of windfarms	-	Mexico	87.5%	6	179	(4.550)
EBV WP Nr. 29 GmbH & Co. KG	Operation of windfarms	-	Germany	100%	5	(2)	-
EBV WP Nr. 30 GmbH & Co. KG	Operation of windfarms	-	Germany	100%	5	(2)	-
EBV WP Nr. 31 GmbH & Co. KG	Operation of windfarms	-	Germany	100%	5	(2)	-

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Gamesa Energía Zaragoza, S.L. Sole-Shareholder Company	Development of windfarms	-	Zaragoza	100%	3	(1)	(6)
Gamesa Energía Teruel, S.L. Sole-Shareholder Company	Development of windfarms	-	Teruel	100%	3	(1)	(9)
Societe Du Parc Eolien de la Valliere	Operation of windfarms	KPMG	Francia	51%	59	2.366	27
Gamesa Energía Galicia S.L. Sole-Shareholder Company	Development of windfarms	-	Galicia	100%	3	(23)	(9)
Sistemes Energetics Passanant, S.L. Sole-Shareholder Company	Operation of windfarms	-	Barcelona	100%	3	(1)	(2)
Sistema Energético El Olivar, S.L. Sole-Shareholder Company	Operation of windfarms	-	Zaragoza	100%	3	-	(6)
Sistemas Energéticos Boyal, S.L.	Operation of windfarms		Zaragoza	59.98%	3	-	(7)
Energiaki Arvanikos, MEPE	Operation of windfarms	-	Greece	100%	5	(63)	(34)
Gesa Energía S.R.L.de CV (*)	Development of windfarms	-	Mexico	100%	-	-	-
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Operation of windfarms	-	Granada	83,.9%	45	(6)	-
Sistemas Energéticos Loma del Viento, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Las Canteras, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Los Claveros, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Egea, S.A.Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Sierra de Lucar, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Sierra de Oria, S.A.Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Sierra de las Estancias, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Almirez, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Caniles, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos El Periate, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Mojonera, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Zujar, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Cuerda Gitana, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos Capellán, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos las Pedrizas, S.A. Sole-Shareholder Company	Operation of windfarms	-	Sevilla	100%	61	(3)	(1)
Sistemas Energéticos Jaralón, S.A. Sole-Shareholder Company	Development of windfarms	-	Vizcaya	100%	61	(218)	(59)
Parco Eolico Piano Di Iopa, S.R.L	Operation of windfarms	-	Italy	100%	30	(14)	(2)
SAS SEPE de la Souterraine	Operation of windfarms	Deloitte	France	100%	37	(20)	(1)
Energiaki Pilou - Methonis, S.A.	Operation of windfarms	PWC	Greece	100%	60	(49)	(6)
Energiaki Ptoon, S.A.	Operation of windfarms	PWC	Greece	100%	15,753	(240)	(31)
Taciewo sp. Zoo. W Organizacji	Operation of windfarms	PWC	Poland	100%	14	(22)	(49)
Pelplin sp. Zoo. W Organizacji	Operation of windfarms	PWC	Poland	100%	14	(35)	(50)
Southern Windfarm sp. Zoo. W Organizacji	Operation of windfarms	-	Poland	100%	14	(14)	(8)
Vento Artabro, S.A.	Development of windfarms	-	A Coruña	80%	61	(30)	(5)
Xeración Eólica de Galizia S.A.	Development of windfarms	-	Santiago de Compostela	65%	60	(8)	-
Krzecin Sp. Z.o.o.	Operation of windfarms	PWC	Polonia	100%	15	(12)	(19)
Parco Eolico Tuturano S.R.L.	Operation of windfarms	-	Italy	100%	30	(8)	(2)
Parco Eolico Prechicca S.R.L.	Operation of windfarms	-	Italy	100%	30	(8)	(2)
Parco Eolico Monte Maggio Scalette S.R.L.	Operation of windfarms	-	Italy	100%	30	(8)	(2)
Zuromin Sp. Z.o.o.	Operation of windfarms	-	Poland	100%	15	5	(265)
Osiek Sp. Z o.o	Operation of windfarms	-	Poland	100%	11	-	(5)
Dzialdowo Sp. Z o.o.	Operation of windfarms	-	Poland	100%	11	-	(5)
Eólica Zopiloapan S.A.P.I. de C.V.	Operation of windfarms	-	Mexico	87.5%	-	-	-
Eólica El Retiro S.A.P.I. de C.V.	Operation of windfarms	-	Mexico	87.5%	-	-	-
Sistemas Energéticos Monte Genaro, S.L. Sole-Shareholder Company	Operation of windfarms	-	Vizcaya	100%	3	(1)	-
Sistemas Energéticos Sierra de Valdefuentes, S.L. Sole-Shareholder Company	Operation of windfarms	-	Vizcaya	100%	3	(1)	-
Sistemas Energéticos Sierra del Carazo, S.L. Sole-Shareholder Company	Operation of windfarms	-	Vizcaya	100%	3	(1)	-

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Carscreugh Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Harelaw Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Trane Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Shap Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Foel Fynyddau Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Watford Gap Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Aberchalder Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Windfarm Ringstedt II, GmbH	Operation of windfarms	-	Germany	100%	25	(1,371)	(165)
Llynfi Renewable Energy Park Ltd.	Operation of windfarms	-	UK	100%	-	-	-
Llanfynydd Renewable Energy Park Ltd.	Operation of windfarms	-	USA	100%	-	-	-
Coemga Renovables 1 ,S.L. (*)	Operation of windfarms	-	Barcelona	75%	3	-	(1)
Coemga Renovables, S.L. (*)	Operation of windfarms	-	Barcelona	75%	3	-	(1)
Windfarm Gross Hasslow GmbH	Operation of windfarms	-	Germany	100%	25	(607)	(45)
Sistemas Energéticos de Gran Canaria	Operation of windfarms	-	Canarias	100%	3	-	(1)
El Royal Energías Renovables SL (*)	Operation of windfarms	-	Zaragoza	100%	3	-	(6)
Eólica San Bartolomé, SL Sole-Shareholder Company	Operation of windfarms	-	Zaragoza	100%	3	-	(10)
Jiloca Promociones Eólicas, S.L. (*)	Operation of windfarms	-	Zaragoza	100%	3	-	(13)
Energiaki Maristi MEPE (SLU) (*)	Electricity production	-	Greece	100%	5	-	(1)
Ger Baraganu S.R.L (*)	Electricity production	-	Romania	100%	-	-	(1)
Ger Bordusani S.R.L. (*)	Electricity production	-	Romania	100%	-	-	(1)
Ger Cerbal S.R.L. (*)	Electricity production	-	Romania	100%	-	-	(2)
Ger Independenta S.R.L. (*)	Electricity production	-	Romania	100%	-	-	(1)
Ger Jirlau S.R.L. (*)	Electricity production	-	Romania	100%	-	-	(2)
Ger Ludus S.R.L. (*)	Electricity production	-	Romania	100%	-	-	(2)
Ger Ponor S.R.L. (*)	Electricity production	-	Romania	100%	-	-	(2)
Ger Pribeagu S.R.L (*)	Electricity production	-	Romania	100%	-	-	(1)
Lingbo SPW AB (*)	Electricity production	-	Sweeden	80%	273	3,656	(33)
Innovación Eólica de Salamanca S.L. (*)	Electricity production	-	Burgos	78%	6	17	(24)

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
A.2 Manufacture of WTGSs							
Gamesa Eólica, S.L. Sole-Shareholder Company	Wind-powered facilities	PWC	Navarra	100%	3	409,082	(28,996)
Gamesa Innovation & Technology, S.L. Sole-Shareholder Company	Manufacture of moulds, blades and provision of central services (engineering)	PWC	Navarra	100%	4,355	611,792	43,013
Estructuras Metálicas Singulares, S.A.	Manufacture of wind generator towers	PWC	Navarra	100%	61	5,761	548
Gamesa Wind, GMBH	Wind-powered facilities	PWC	Germany	100%	995	(9,501)	(5,749)
Gamesa Eólica Italy, S.R.L.	Wind-powered facilities	PWC	Italy	100%	100	1,841	(1,177)
Gamesa Wind UK Limited	Manufacturing and holding Company	PWC	UK	100%	-	-	(11)
Gamesa Lanka Private Limited	Manufacturing and holding Company	PWC	Sri Lanka	100%	39	(3)	(26)
Gamesa Wind Romania, SRL	Development of windfarms	PWC	Romania	100%	-	(2,121)	(8,513)
Gamesa Singapore Private Limited	Manufacturing and holding Company	PWC	Singapore	100%	-	(27)	(540)
Gesa Eólica Honduras, S.A.	Manufacturing and holding Company	-	Honduras	100%	1	64	898
Gamesa Eólica VE, C.A.	Manufacturing and holding Company	-	Venezuela	100%	18	(18)	-
RSR Power Private Limited	Manufacturing and holding Company	-	India	100%	2	(1)	8
Gamesa II Eólica Portugal Sociedade Unipessoal Lda	Wind-powered facilities	-	Portugal	100%	960	1.136	719
Gamesa Wind Turbines Private Ltd	Wind-powered facilities	PWC	India	100%	82,768	(6,141)	2,516
Gamesa Blade Tianjin Co Ltd.	Design, manufacture and assembly of blades	PWC	China	100%	12,000	25,443	3,571
Gamesa (Beijing) Wind Energy System Development Co Ltd.	Manufacture of wind-power components and wind farm maintenance	PWC	China	100%	200	(2,891)	(404)
Gamesa Wind Tianjin Co Ltd.	Manufacture of wind-power components	PWC	China	100%	8,198	115,882	2,871
Gamesa Trading (Tianjin) Co., Ltd.	Purchase and sale of raw materials (Trader)	PWC	China	100%	49	(17)	(121)
Gamesa Cyprus Limited (*)	Manufacturing and holding Company	-	Chipre	100%	1	-	815
Gamesa New Zeland Limited (*)	Manufacturing and holding Company	-	New Zealand	100%	-	16	311
Gamesa Wind Bulgaria, EOOD	Manufacture, construction and operation of wind farms	PWC	Bulgaria	100%	3	712	800
Gamesa Eolica France SARL	Wind-powered facilities	PWC	France	100%	8	3,768	(207)
Gamesa Electric, S.A. Sole-Shareholder Company	Manufacture and sale of electronic equipment	-	Vizcaya	100%	9,395	2,864	223
Cantarey Reinosa, S.A. Sole-Shareholder Company	Manufacture of electricity generators	PWC	Cantabria	100%	4.217	24,151	1,910

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Enertron, S.L. Sole-Shareholder Company	Manufacture of electronic elements	PWC	Madrid	100%	301	7.978	(24)
Gamesa Wind South Africa PTY LTD (*)	Manufacturing and holding Company	-	South Africa	100%	-	-	-
Gamesa Australia PTY, LTD (*)	Manufacturing and holding Company	-	Australia	100%	-	-	-
Gamesa Chile SpA (*)	Manufacturing and holding Company	-	Chile	100%	-	-	(4)
Gamesa Dominicana, S.A.S. (*)	Manufacturing and holding Company	PWC	Dominican Repu.	100%	-	-	(7)
Valencia Power Converters, S.A. Sole-Shareholder Company	Manufacture and sale of electronic elements	PWC	Valencia	100%	61	21,047	1,986
Gamesa Energy Transmission, S.A. Sole-Shareholder Company	Manufacture of wind-power components	PWC	Vizcaya	100%	21,660	36,957	3,326
Especial Gear Transmissions, S.A. Sole-Shareholder Company	Manufacture of gear assemblies	PWC	Vizcaya	100%	732	2,661	(370)
Gamesa Burgos, S.A. Sole-Shareholder Company	Iron smelting	PWC	Burgos	100%	1,200	1,291	96
Transmisiones Eólicas de Galicia, S.A. Sole-Shareholder Company	Manufacture of wind-power components	PWC	A Coruña	100%	695	2,104	(61)
Gesa Eólica Mexico, SA de CV	Wind-powered facilities	PWC	Mexico	100%	3	(98)	(1,459)
Gamesa Wind Poland Sp zoo	Wind-powered facilities	-	Poland	100%	13	304	18,348
Parque Eólico Dos Picos, S.L. Sole-Shareholder Company	Operation of windfarms	-	Vizcaya	100%	1,229	21	(15)
Gamesa Morocco, SARL	Wind-powered facilities	-	Morocco	100%	1	262	(221)
Gamesa Wind Energy Services, Ltd	Manufacturing and holding Company	-	Turkey	100%	74	(47)	(293)
Gamesa Eólica Costa Rica, S.R.L.	Manufacturing and holding Company	-	Costa Rica	100%	-	41	385
Gamesa Wind Sweden, AB	Manufacturing and holding Company	PWC	Sweeden	100%	5	52	(2,274)
Gamesa Japan Kabushiki Kaisha	Manufacturing and holding Company	-	Japan	100%	18	(10,853)	(232)
Gamesa Wind Hungary KTF	Manufacturing and holding Company	PWC	Hungary	100%	12	1,665	4,344
Gamesa Eólica Greece E.P.E	Manufacturing and holding Company	-	Greece	100%	18	360	2,474
Eolo Re, S.A.	Reinsurance	PWC	Luxembourg	100%	3,000	13	-
Jilin Gamesa Wind Co., Ltd.	Manufacturing and holding Company	PWC	China	100%	1,630	29	(33)
Inner Mongolia Gamesa Wind Co.,Ltda.	Manufacturing and holding Company	PWC	Mongolia	100%	1,651	145	512
Gamesa Ireland Limited (*)	Manufacturing and holding Company	PWC	Ireland	100%	-	564	398
Gamesa Estonia OÜ (*)	Manufacturing and holding Company	-	Estonia	100%	3	(2)	(2)
GM Navarra Wind Energy Private Limited	Manufacturing and holding Company	-	India	100%	153	(34)	(27)
Kintech Santalpur Windpark Private Limited	Manufacturing and holding Company	-	India	49%	77	(3)	(6)
Gamesa Canada, ULC	Manufacturing and holding Company	-	Canadá	100%	-	-	-
Gamesa Azerbaijan, LLC (*)	Manufacturing and holding Company	-	Azerbaijan	100%	-	9	116

THOUSANDS OF EUROS

Company	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
B) GAMESA NUEVOS DESARROLLOS GROUP							
Gamesa Nuevos Desarrollos, S.A. Sole-Shareholder Company	Development of electricity facilities	-	Vizcaya	100%	61	(965)	14
Gamesa Eólica Brasil, Ltd.	Management of electricity facilities	-	Brazil	100%	8,504	(3,919)	3,290
C) GAMESA TECHNOLOGY CORPORATION GROUP							
Gamesa Technology Corporation, Inc	Administrative management services	PWC	USA	100%	24,942	(91,130)	(6,752)
Fiberblade, LLC	Wind-powered facilities	PWC	USA	100%	1	(1,426)	(4,966)
Gamesa Wind US, LLC	Wind farm maintenance services	PWC	USA	100%	88	(149,893)	(36,215)
Gamesa Wind, PA, LLC	Manufacture and assembly of wind generators	PWC	USA	100%	81	183,999	35,727
Gamesa Energy USA, Inc.	Development of windfarms	PWC	USA	100%	1,691	7,771	(16,731)
Fiberblade East, LLC	Wind-powered facilities	PWC	USA	100%	1	(40,502)	(1,331)
Towers & Metallic Structures, Inc.	Manufacture of wind generator towers	PWC	USA	100%	2,211	(28,227)	10,343
Allegheny Wind Expansion, LLC	Operation of windfarms	-	USA	100%	-	-	-
Cedar Cap Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Crescent Ridge II, LLC	Operation of windfarms	-	USA	100%	-	-	-
2Morrow Energy, LLC	Operation of windfarms	-	USA	100%	1,461	-	-
Eagle Rock Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Elk Falls Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Gulf Ranch Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Jackson Mountain Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Mahantango Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Rock River Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Nescopeck Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Sandstone Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Pine Grove Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Shaffer Mountain Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Sandy Ridge Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Whispering Prairie Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Vaquillas Wind, LLC GROUP	Operation of windfarms	-	USA	100%	-	-	-

THOUSANDS OF EUROS

Companys	Line of business	Auditor	Location	% of direct and indirect ownership	Share capital	Reserves	Profit (Loss) for the year after tax
Senate Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Trinity Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
White Wind Farm, LLC	Operation of windfarms	-	USA	100%	-	-	-
Pocahontas Prairie Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Minonk Wind, LLC	Operation of windfarms	-	USA	100%	-	-	-
Lancaster Wind Farm, LLC	Operation of windfarms	-	USA	100%	-	-	-
D) OTHERS							
Cametor, S.L.	Ownership of non-current assets	-	Vizcaya	100%	3,902	7,748	169
Compass Transworld Logistics, S.A.	Logistics and transport	KPMG	Navarra	51%	6,861	1.,70	1,619
Qgrid Technologies, S.L.	Trading Company	-	Vizcaya	60%	20	15	11
Gamren Eólico Solar, S.L.	Development of wind and solar farms	-	Madrid	49%	3	(5)	(7)
Windar Logistic, S.L.	Manufacturing and holding Company	-	Jaén	32%	3	(81)	(2)
PROPORTIONATELY CONSOLIDATED COMPANIES							
Windkraft Trinnwillershagen Entwicklungsgesellschaft, GmbH	Development of windfarms	-	Germany	50 %	51	595	64
Sistems Electrics Espluga S.A.	Operation of windfarms	-	Barcelona	50%	61	(332)	(43)
COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD							
Windar Renovables, S.L.	Head of the companies which manufacture wind generator towers	PWC	Navarra	32%	9	48,635	(431)
Energías Renovables San Adrián de Juarros, S.A.	Construction and operation of wind farms	-	Burgos	45%	60	(6)	(1)
Skybuilt Power, Inc. (*)	Manufacturing and holding Company	-	USA	29%	4,678	(1,797)	(634)
Worldwater & Solar Technologies Inc.(*)	Manufacturing and holding Company	-	USA	26%	2,309	(1,111)	(537)
Tadarsa Eólica	Manufacturing and holding Company	-	Avilés	32%	2,303	7,028	3,092
Apoyos Metálicos, S.A.	Manufacturing and holding Company	-	Navarra	32%	841	7,264	98
AEMSA Santana	Manufacturing and holding Company	-	Jaén	32%	3,061	(1,040)	(470)
New Broadband Network Solutions SL	Manufacturing and holding Company	-	Madrid	18.8%	109	568	-

(*) Sociedades incorporadas al gripo Gamesa durante el ejercicio 2011.

CARLOS RODRÍGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS OF "GAMESA CORPORACIÓN TECNOLÓGICA, S.A." 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 2011 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. authorised for issue by the Board of Directors at its meeting held on 22 February 2012 is the content of the preceding 152 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.

Jorge Calvet Spinatsch
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Benita Ferrero-Waldner
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

Carlos Fernández-Lerga Garralda
Member of the Board of Directors

Iberdrola, S.A.
(Agustín Delgado Martín)
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

José María Vázquez Egusquiza
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Zamudio, 22 February 2012 In witness whereof
Approval of the Chairman

Jorge Calvet Spinatsch
Chairman and CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors


Gamesa

ACTIVITY
REPORT 2011

1. Evolution of the company during the year

COMPLIANCE WITH 2011 TARGETS AND THE ADVANCEMENT WITH THE THREE PILLARS OF THE PN 2011-13, OPTIMISATION OF THE COST OF ENERGY, GROWTH AND EFFICIENCY WERE THE KEY ASPECTS OF THE YEAR

In a complex economic environment and operating in a highly competitive market, Gamesa Corporación Tecnológica[1] ends 2011 with Wind Turbine sales volume totalling[2] 2,802 MWe, which is 16% higher than the volume seen in 2010, EBIT margin for When the Turbines amounted to 4% which is in line with market guidance and the order portfolio covered 1,600 MW[3]. The wind farm development activity, the process of locating the supply chain in India and Brazil and a higher level of investment in property, plant and equipment in accordance with the Business Plan raised the Group's net financial debt to EUR 710 million, which is within the objectives reported to the market.

Main consolidated figures for 2011

- Sales: EUR 3,033 MM (+10% a/a)
- EBIT: EUR 131 MM (+10% a/a)
- Net profit: EUR 51 MM (+2% a/a)
- Net Financial Debt: EUR 710 MM (2.0x EBITDA)

Main Wind Turbine figures[2] 2011

- MWe sold: 2,802 (+16% a/a)
- EBIT Margin: 4.0%
- Order portfolio[3]: 2,802 (+13% a/a)

Group sales totalled EUR 3,033 MM, which is 10% higher than 2010 sales, and the result of the recovery of the manufacturing activity, which grew by 16% to 2,802 MWe sold. This recovery of the activity allowed the Group to attain Wind Turbine sales of EUR 2,875 MM, 10% more than in 2010, thanks to the sale of diversification strategy that has allowed Gamesa to offset the slowdown in demand in traditional markets. Accordingly, 92% of sales, or 2,570 MW take place outside of Spain. The increase of the contribution made by Wind Turbines in the Indian market is notable as they rose by 19% as are the Latin American and South American markets, which grew by 15%, and they represent nearly 4 times the volume seen in 2010. This sales by diversification effort has also translated into an order portfolio[3] covering 1,600 MW at the end of December 2011 with deliveries in 2012/2013.

The recovery of the development and Farm sale activity that started in 2010 continues in 2011. Gamesa Energía[4] end the year with new sales commitments totalling 417 MW of which 131 MW were signed during the 4th quarter of 2011, and work continues on the delivery of these agreements. In addition wind farms with a capacity of 177 MW were delivered during 2011.

The recovery of the manufacturing activity together with the concentration of control and cost improvements allowed the Wind Turbine Division[2] to end 2011 with an EBIT margin of 4%, in line with the guidance for the end of the year (4%-5%) despite the fact that it operates in a highly competitive market and in a complex economic environment. There has also been intense sales activity in the Farms area and the development of several installations for delivery in 2011 and the first few months of 2012 allowed the Wind Farm Division to attain an EBIT of EUR 26 million during the year, and the EBIT for the fourth quarter totalled EUR 17 million, which is three times higher than the fourth quarter in 2010. As a result, the consolidated EBIT totals EUR131 million, 10% higher than the EBIT in 2010 and equivalent to four point 3% of the Group's sales.

[1] Gamesa Corporación Tecnológica manufacturers wind turbines - referred to in the document as Wind Turbines - and develops, builds and sales wind farms-referred to in the document as Farms or Gamesa Energía.

[2] Wind Turbines & Holding Company.

[3] Firm orders and confirmation of framework agreements for deliveries in 2012-2013.

[4] Gamesa Energía or Farms, includes the development, construction and sale of wind farms.

The opening of new markets such as Brazil and India, which have a growing contribution to the Group's sales and a supply chain currently being localized, has required Gamesa to increase the level of inventory and bring forward the production of certain projects in these regions in order to comply with projected obligations in 2012. Furthermore, and as was first seen during the second quarter of 2011, Gamesa is developing high-capacity wind farms (between 35% and 45% load factor) in the United States whose sale is currently being negotiated and for which the Wind Turbine Division has started production. These factors have contributed to raising the working capital-sales ratio for the Wind Turbine Division to 24%, which is higher than the previously reported range of between 15 and 20%.

In 2011 the investment plan established in the Business Plan 2011-2013 was implemented with investments in property, plant and equipment and intangible assets totalling EUR229 million. Despite the new need for investment in both non-current assets and working capital, Gamesa Corporación Tecnológica ended the year in a solid financial position, as reflected by net financial debt totalling EUR710 million, which is equivalent to 2.0x consolidated EBITDA, and in line with the guidance established by the Company for 2011.

Together with compliance with the guidance reported to the market in 2011, Gamesa has made advancements with respect to the three pillars of its Business Plan, optimisation of Energy Costs (CoE), growth and efficiency. These pillars are key to reinforcing Gamesa's position and leadership in the wind turbine manufacturing industry.

Within the optimisation of CoE by developing more efficient products and new operating and maintenance services, Gamesa attained important milestones during the year. During the third quarter the Company received Type Certificate IEC WT01 for GL Renewables Certification (GL) for the wind turbine G128-4.5 MW. The certificate facilitates access to financing for the wind turbine G128-4.5 MW and the associated wind energy projects. The G128-4.5 MW wind turbine is the first product resulting from the new technologies developed entirely by Gamesa and will convert the new G10X-4.5 MW product family in Cost of Energy leaders in the future: MultiSmart®, Innoblade®, CompacTrain®, GridMate® and Flexifit®. Gamesa has also demonstrated its environmental leadership with the G128-4.5 MW, the first to obtain the ecodesign certificate from TÜV in accordance with ISO14600/2011 (*"Environmental Management Systems – Guidance For Incorporating Ecodesign"*), a certificate that proves its minimum environmental impact during its lifecycle.

Similarly, advances have been made with respect to the new G9X-2.0 MW product platform, which optimises the preceding platform (G8X-2.0 MW), and obtains double digit improvements to the wind turbine's productivity. After moving from design to prototype in only 18 months, and industrializing the product in three months, two prototypes were built and are now in operation - Navarre (Spain) and Colorado (USA)- and the first commercial units have been installed for a customer in Baitugang (China) and Tamil Nadu (India). At December 2011 Gamesa had signed a framework agreement covering 1,300 MW[5] for the G97-2.0 MW in India and firm contracts for 356 MW in the United States, Europe, China and India. During 2011 the G97-2.0 MW wind turbine contributed more than 5% of Group sales.

The design of new operating and maintenance services have also played a fundamental role in optimising the Cost of Energy that Gamesa offers to its customers, with the marketing of new products such as the GPA program (Gamesa Premium Availability), through which a new concept of service is offered with an availability guarantee higher than available in the market at a lower cost for the customer. In addition to having the target of reaching 99% availability in the Gamesa GPA program has obtained up to 10% reductions in the operating costs of the farms at which the program has been applied. Within the improvement of CoE, and given the regulatory uncertainty in Spain, in 2011 a project was launched to extend the useful life of the G4X fleet, which will take it to 30 years under the best operating conditions to the application of an improvement implementation and maintenance adaptation program.

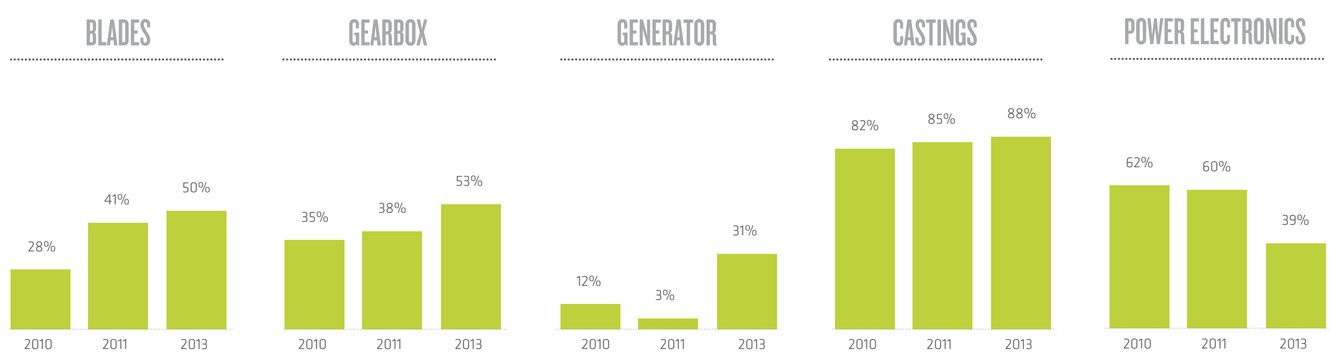
Operations and maintenance not only play a role in reducing CoE but also affect growth as the visibility of sales, margins and cash generation increase due to the lower intensity of capital requirements and the recurring nature of sales. During 2011, Gamesa started to repair and improve large components and extended its service portfolio to third-party fleets. The repaired components that are updated to the latest design and good practices are attaining a failure rate that is very low and an average life that exceeds that of new components. December 2011, Gamesa had 16,300 MW under maintenance, 2,700 MW more than at the start of the year and allowed it to generate more than EUR 250 MM in recurring revenues.

Finally and within the pillar of efficiency, we note the adjustment of capacity to demand in Spain with 1,250 MW[6] at December 2011, which is capacity that has been adapted to the new G9X-2.0 MW platform. In India the localization of 65% of the G5X-850 kW platform was reached at the end of the year.

[5] Part of the framework agreement was concluded with Caparo, now Mytrah, covering 2,000 MW in 2012-2016.

[6] Blade manufacturing capacity.

Component outsourcing (%)



In addition, Gamesa has continued to make advances with respect to its strategy to combine internal manufacturing with external supplies of key wind turbine components, thereby maximizing operational flexibility and optimising investments. December 2011 considerable progress had been made with respect to the Business Plan 2011-2013 regarding blades and cast parts.

In a highly competitive environment, Gamesa end the year with solid financial results in line with the commitments reported to the market while it continues to work on the three vectors forming part of its Business Plan 2011-2013 -decrease of the Cost of Energy, growth and efficiency- to consolidate its leadership in the new wind industry and maximize profitable growth in the medium and long-term.

Wind Turbines

Main Factors

During 2011, Gamesa has applied efficient management that has allowed it to end the year in line with the projected targets in terms of volume, profitability and financial robustness, in a year in which there was a high level of competition.

Gamesa's Wind Turbine unit ended 2011 with:

- 2,802 MWe in Wind Turbines sold, 16% higher than in 2010 and in line with the annual guideline of 2,800 MWe - 3,100 MWe,
- an EBIT margin of 4.0%, which is in line with the projected range of 4% and 5%.
- and working capital-sales ratio of 24%, which is less than reported in 3Q 2011 (33%) but higher than the range established in the guidance for the year (15%-20%), as a result of the internationalisation of sales and industrial implementation, although the level of the working capital- sales ratio declined in 4Q.

Wind Turbine activity in 2011 breaks down as follows:

(MW)	2010	2011	% Change	Status
MW Delivered to customers	2,685	3,092	15%	Transfer of ownership to customers, at the farm or factory. Invoiced.
+ Change of MWe Available ExWorks	-142	-787	N.A.	Change in the inventory of Wind Turbines available for delivery to customers. Invoiced Exworks.
+ Change in MWe Extent of Completion	-138	497	N.A.	Change in the inventory of Wind Turbines not available for delivery to customers. Not Invoiced.
MWe sold	2,405	2,802	+16%	

At the end of 2011 the MWe sold amounted to 2,802 MW, which is 16% higher than the figure seen in 2010. We note the high 3,092 MW delivery volume which is 15% higher than deliveries made in 2010.

In accordance with the Business Plan 2011-2013, Gamesa continues to access new markets while consolidating its business in countries with great wind energy potential. Gamesa obtained its first sales in New Zealand, Algeria and Azerbaijan and obtained significant volume in the Latin American and South American area (Honduras, Mexico and Brazil together represent 15% of sales in 2011).

Simultaneously, China continues to have a significant weight in terms of total sales with 23% and the United States reduced its total contribution to sales to 14%. On the other hand, there has been strong growth in 2011 in India, representing 19% of total sales.

With respect to Europe, we note the high contribution of countries in Eastern Europe (mainly Poland and Romania), with 14% of total sales, while Spain continues to represent a less significant level for the second consecutive year (8% of total sales).

Gamesa has thus been able to diversify its sales in 5 geographic areas (Europe, United States, China, India and Latin/South America).

Geographic breakdown of Wind Turbine MWe sold	2010	%	2011	%
Spain	168	7%	232	8%
USA	678	28%	382	14%
China	664	28%	650	23%
India	196	8%	519	19%
Latin and South America	112	5%	428	15%
Rest of Europe	523	22%	564	20%
Rest of the world	64	3%	28	1%
Total	**2,405**		**2,802**	

Together with the success of the geographic diversification strategy, Gamesa is working to expand the products that it offers with:

- Turbines with larger rotors for each wind class (IEC I, II and III) within the new G9X-2.0 MW product platform, as well as the G97–2.0 MW Class II and the G87–2.0 MW Class S.
- Higher capacity turbines (G10X-4.5 MW).

In 2011 the G97-2.0 MW Class III Turbine started to contribute to sales and represents around 5% of the total MWe sold during the year, and it was simultaneously implemented in all manufacturing areas.

Furthermore, the G9X–2.0 MW segment represents 79% of the MWe sold compared with 71% in the same period last year.
The G5X–850 kW platform contributes 19% of the MWe sold.

Wind Turbine Results for 2011

Gamesa ends 2011 with solid financial results with respect to the Wind Turbine activity:

	2010	2011	% Change	4Q 2011
Sales	**2,623**	**2,875**	**+10%**	**865**
EBITDA	**338**	**340**	**+1%**	**101**
EBITDA / Sales (%)	12.9%	11.8%		11.7%
EBIT	**127**	**116**	**-9%**	**19**
EBIT / Sales (%)	4.9%	4.0%		2.2%
Net profit	**64**	**61**	**-4%**	**6**
Net profit / Sales (%)	2.4%	2.1%		0.7%
Working Capital	**-27**	**701**		**701**
% Sales	-1%	24%	+25 pp	24%
NFD	**-405**	**273**		**273**
NFD/EBITDA	-1.2	0.8	+ 2.0x	0.8

Sales for the period grew by 10% compared with 2010, thanks to the 16% growth in the volume of MWe sold. The contribution of the Services Unit to sales was EUR 279 MM compared with EUR 312 MM in 2010. This decline is due to the improvement of the failure rate that fell in 2011, non recurring revenue for failures outside the warranty period (sales relating to damage due to storms or force majeure and therefore not covered by the warranty or maintenance agreements). Excluding this effect, in 2011 there was an increase in recurring revenues from operations and maintenance compared with 2010 (EUR 260 MM in 2010).

The EBIT margin was 4.0%, and fell within the estimated range for the end of the year (4%-5%), in a highly competitive market thanks to a constant focus on control and cost improvement (through negotiations with suppliers, productivity improvements, reductions in failure rates, logistics optimisation and construction times).

The provision for warranties remained stable at around 3.5% of Wind Turbine sales despite the internationalisation of the manufacturing platform and sales and the expansion of the products on offer, which shows the continuous improvement of processes, the robustness of the Gamesa product platform and the focus on excellence in operations.

Gamesa and 2011 with a working capital-sales ratio of 24%, which is less than reported in 3Q 2011 (33%), but higher than the guidance for 2011 (15%-20%) as a result of the increased internationalisation of sales, advancements made with respect to national production in India and Brazil and the delays affecting approvals of wind projects in China.

In addition, Gamesa continues to invest in the main wind energy markets, and in the year at an investment level totalling EUR 229 MM. This investment includes:

- Advances in the construction of the blade plant for the G5X-850 kW machine in India.
- Global launch of the G97-2.0 MW (adaptation of production capacity).
- Investment associated with the manufacturing of the G10X-4.5 MW Wind Turbine.
- New capacity in Brazil for the G9X–2.0 MW machine (construction of the nacelle assembly plant).
- R&D investment associated with the new platforms (G97, G10X-4.5 MW and offshore).

Thus, Gamesa ends 2011 with net financial debt totalling EUR 273 MM in the Wind Turbine area, associated with the level of working capital and the investment recorded during the year.

Wind Farms

Main Factors

During 2011, Gamesa concluded new sales agreements covering 417 MW with some of the largest electrical companies worldwide and delivered 177 MW in Spain, Germany, France, Greece and United States.

Accordingly, the Wind Farm Promotion and Sales Unit ended 2011 with an EBIT of EUR 26 MM compared with EUR 0 MM at the end of 2010, in line with the reported guidance (EUR 20 MM).

At December 2011 Gamesa's portfolio of wind farms totalled 23,891 MW throughout the world, after proceeding to review the MW in initial stages of development in regions with regulatory uncertainty such as Spain and the United States. The annual growth by the portfolio is the result of the intense promotion activity carried out in India.

Wind Farm portfolio under development (MW)	2010	2011	% Growth
Practically assured	2,618	3,953	+51%
Total portfolio	22,661	23,891	+5%

Within the portfolio, Gamesa maintains 734 MW in the final stages of construction and launch, making advancements with respect to the development of its wind farm portfolio to be delivered over the coming months.

Evolution of the Activity Profile (MW)	2010	2011	% Growth
MW under construction	230	370	61%
MW launched	166	364	119%
Total	**396**	**734**	**85%**

Note: not including MW relating to the joint promotion agreements signed in China, in which Gamesa holds a minority interest, and India.

Wind Farm results for 2011

The results obtained by the Wind Farm unit in 2011 are a reflection of the success of the promotion, construction and sale of Farms. As a result, the Wind Farm Promotion and Sale unit ended 2011 with an EBIT of EUR 26 MM (EUR 17 MM in 4Q 2011) thanks to the high volume of sales agreements concluded during the year (417 MW, of which 131 MW was signed in 4Q) and after delivering 177 MW. The rest of the agreements will be fulfilled during the first months of 2012.

The Wind Farm unit continues to focus on the creation of value through the promotion and construction of Farms with the highest rates of return, but always maintaining strict control over that within market guidance (EUR 500 MM). The Wind Farm Promotion and Sales unit ended the year with net financial debt totalling EUR 438 MM.

(MM EUR)	2010	2011	% Change	4Q 2011
Sales	432	534	24%	300
EBIT	0	26	N.A.	17
Net profit	-5	1	N.A.	2
NFD	196	438	2.2x	438

2011 results obtained by Gamesa Corporación Tecnológica

The main financial figures for the Consolidated Group are presented below and result from the contribution of the preceding unit.

(MM EUR)	2010[(1)]	2011[(1)]	% Change	4Q 2011[(1)]
Sales	**2,764**	**3,033**	**+10%**	**1,018**
EBITDA	**328**	**364**	**+11%**	**141**
EBITDA / Sales (%)	11.9%	12.0%		13.9%
EBIT	**119**	**131**	**+10%**	**49**
EBIT / Sales (%)	4.3%	4.3%		4.8%
Net profit	**50**	**51**	**+2%**	**22**
NFD	**-210**	**710**		**710**
NFD/EBITDA	-0.6	2.0	+2.6x	2.0

(1) The results obtained by Gamesa Corporación Tecnológica record the impact of the consolidation adjustment relating to the elimination of sales and the margin of the Wind Turbine Division from the Farm Division, whose sales agreements are in the final stages of negotiation at the end of the year.

2. Foreseeable development

Outlook

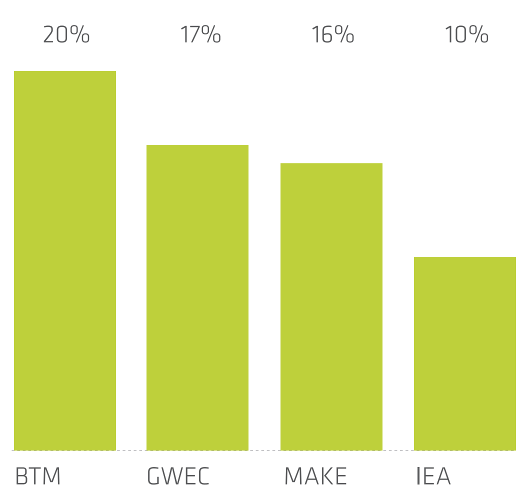
The weakness of the world economy and doubts regarding the sustainability of debt levels in the United States and Europe are having a negative impact on the development of demand for wind energy over the short-term.

The lower demand for energy deriving from the weak economy leads to lower electricity prices and reduces the immediate need to add production capacity since in some Western markets there are excesses. The budget deficits in countries in Southern Europe and the United States are decreasing the capacity of governments to finance support programs for various renewable energies thereby reducing the profitability of projects. In this context, in which the lower profitability of wind energy products join limited access to financing at a higher cost lead wind energy promoters and the large electricity companies in Europe and the United States to review their investment plans for the immediate future.

This situation is particularly relevant in the United States and in European countries such as Spain, Italy or Portugal, where financial incentives have been, or are being, pushed downward. This step has Artie been taken in Spain with the entry of the new government and the publication of Royal Decree-Law 1/2012 that includes a moratorium on new renewable installations starting in 2013. In Portugal, the Government has recently suspended the installation of new capacity, including renewable energies, and in Italy, where the financial system is changing from Green Certificate to regulated rate, some regions have also placed a moratorium on new installations. Meanwhile, in the United States the tax incentives for investments in the generation of renewable energies (investment credits or ITC and production credits or PTC) expire in December 2012 and there has been no indication that they will be extended.

However, it is important to note that the commitments made by the governments in these countries (Spain, Italy and Portugal) with respect to the contribution of wind energy to the energy mix in 2020 continue to be unchanged and what we are witnessing is a temporary suspension of the financial support for those energies and it should be understood within the context of the current difficult economic environment. In this connection, it is precisely these government commitments, not only in Europe but around the world, together with the growing competitiveness of wind energy that guarantee double digit growth rates for new installations of between 10% and 20% between 2011 and 2015 in accordance with independent sources.

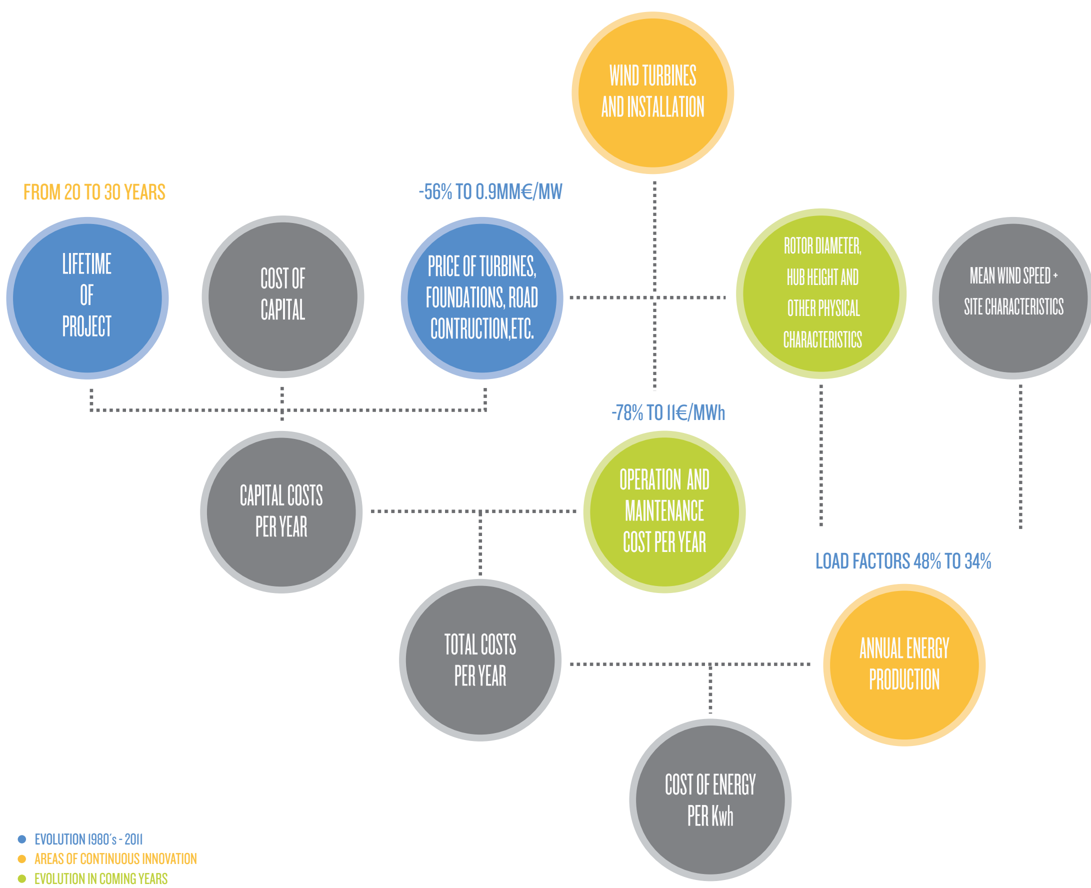
Annual compounded growth rates for new wind energy installations 2011-2015E



In accordance with the studies carried out by the Intergovernmental panel on climate change (IPCC) at the UN, the contribution of renewable energies to worldwide energy supplies in 2050 will double to 27% from the current 13%. Furthermore, compliance with the agreements reached at the Cancun Climate Change Summit requires a much higher contribution to attain a level of close to 80% of the worldwide energy supplies.

Within this contribution, it is generally accepted that wind energy, given its technological maturity and financial competitiveness, will play a dominant role in all geographic areas. This technological maturity and financial competitiveness, together with constant efforts being made by the manufacturers of wind turbines such as Gamesa to improve the cost of wind energy suggests, in accordance with Bloomberg Energy Finance, that the Cost of Energy of an average Farm will be competitive with coal, gas and nuclear energy in 2016. As may be seen in the accompanying graphic, since the eighties the price per megawatt produced by wind turbines has decreased by 56% and the price of maintaining a Farm per MWh has fallen by 78% within that same timeframe. Advances in the design of wind turbines have improved the power curve which, together with higher rotors, has allowed load factors to increase by nearly 50% to the current average of 34%. Moreover, the latest capacity auctions that have taken place in countries such as Brazil and Peru demonstrate that wind energy is already competitive with gas for those Farms that have very high load factors.

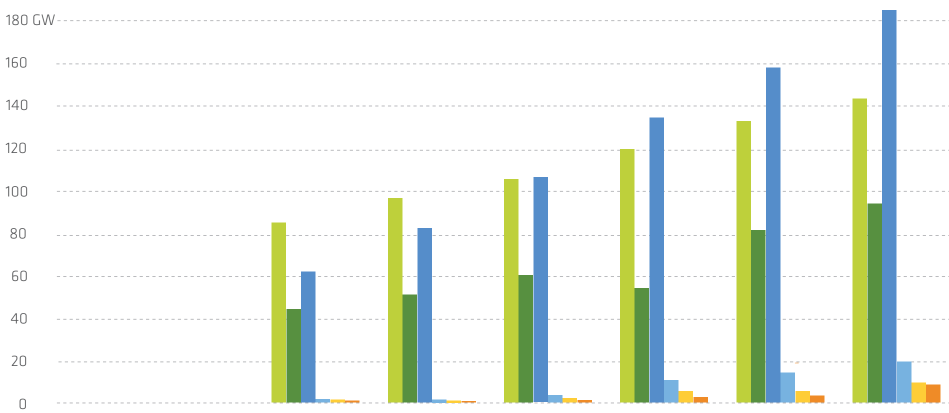
Measurement of the Cost of Wind Energy



Source: *The Economics of Wind Energy*, EWEA Report 2009; Bloomberg New Energy Finance.

The growing competitiveness of wind energy, together with government commitments to battle climate change will offset the current demand shortfall in mature markets over the long-term. It is important to note, however, that in the short-term, the lower demand for wind energy in mature markets, such as in Europe or the United States is offset by the growth in emerging markets in Asia, Latin America or Africa. These new markets have a commitment with renewable energies that is not supported on the need to combat climate change but rather on the need to combat energy shortfalls that are structural in nature or an excessive dependency on a single source of domestic energy.

Cumulative market forecast by region 2010-2015



	2010	2011	2012	2013	2014	2015
Europe	86.3	96.3	107.3	119.3	132.3	146.3
North America	44.2	52.2	61.2	71.2	82.2	94.2
Asia	61.1	83.6	107.6	132.6	158.6	184.6
Latin America	2.0	3.5	6.0	9.5	14.0	19.0
Pacific	2.4	3.1	3.9	4.9	5.9	7.4
Middle East and Africa	1.1	1.9	2.7	3.9	5.5	7.5

Source: GWEC, Wind Energy Report 2010.

In this context of short-term uncertainty, Gamesa will continue to make advances in the three vectors making up its Business Plan 2011-2013: optimisation of the CoE and growth and efficiency, which are critical to reinforce the Company's leadership within the manufacturing segment.

Within the continuous optimisation of the CoE, Gamesa continues to work on improving the availability and reliability of its wind turbines, and in 2012 paid special attention to reducing the cost of materials. During the year two new wind turbines will be developed within the G9X-2.0 MW platform. G97-2.0 MW class II and G114-2.0 MW. Within the area of operations and maintenance, Gamesa will continue to focus on continuous improvement to the availability of its fleet, with the objective of improving current availability, which already exceeds 98%, through maintenance programs such as GPA, which started to be marketed in 2011.

Within the growth sector, Gamesa intends to intensify its sales efforts in those geographic areas and with customers with which it has a lower penetration rate, such as the electrical companies in central and northern Europe and market such as Southeast Asia, Australasia, South Africa and the Middle East. In these markets, Gamesa will leverage its presence in China, India and North Africa. Furthermore, the Services area will carry out a progressively more important role both in terms of sales growth and sustainability as well as growth and margins. In this connection, and during 2012, Services will intensify its sales efforts outside of Spain for new value added programs and repairs and improvements of large components. Finally, Gamesa Energia will continue with the strategy of realizing value from its portfolio, paying particular attention to the American market.

The efficiency vector takes on a more relevant role in the current market environment. Gamesa will continue to adjust capacity to meet demand. In Spain, with the reduction of capacity practically completed in 2011, work will be carried out to consolidate and adapt that capacity to the new products. Meanwhile, in Brazil and India the localization of the supply chain for the new G9X-2.0 MW platform will be completed. The Logistics Department will be created within the construction and logistics area that will allow procedures to be unified and the contracting of logistics services to be improved and to reduce costs. The Company will continue to make advances with respect to the reduction of construction time using WOSS (Wind Optimisation Supply Sequence) and the use of storage yards. Finally, new purchasing tools will be rolled out to simplify and accelerate the approval of suppliers while maintaining strict quality criteria, accelerating times and reducing supply costs.

In addition, and bearing in mind the immediate economic and market environment, Gamesa will give priority, within its financial objectives for 2012, to a solid balance sheet and profitability and subjecting sales volumes to those objectives, thereby bringing forward by one year its objective to reach net cash flow equilibrium.

WTG Manufacturing

Windfarm Development & Sales

WTG	Guidance 2011	2011		Guidance 2012
MWe sold	2,800-3,100	2,802	√	2,800-3,200
EBIT Margin	4.0%-5.0%	4.0%	√	2.0%-4.0%
WC as % of sales	15%-20%	24%	X	20%-25%
Capex	250	229	√	275 (2)
Wind Farms				
MW Delivered (3)	c.400	177	√ (1)	c.400
EBIT (MMEUR)	c.20	26	√	c.0
Net debt (EUR m)	c.500	438	√	c.250
Group				
NFD/EBITDA	<2x	2,0x	√	<2,5x
FCF				**Breakeven**

(1) 2011 guidance included wind farm delivered to Iberdrola (244MW) ahead of planned scheduled (Q1 2011) at client´s request.
(2) 2012 is peak year of capex in BP 2011-2013.
(3) Excluding Chinese joint promotion agreements.

Despite the good performance of the order portfolio, which at December 2011 grew by 13% compared with the volume seen in 2010, to 1600 MW, the priority objective is to maintain a net debt level in 2012 similar to the level in 2011 and the following temporary factors leave the Company to tighten the sales volume range for 2012 to 2,800 MWe-3,200 MWe:

- Regulatory uncertainty in the United States.
- Delays in the connection to the network and restrictions on financing in China.
- Higher volatility of demand in India due to regulatory changes.

During 2012 Gamesa will carry out several key processes to attain the objectives set out in the Business Plan 2011-2013 and which have a temporary negative, non-recurring impact on the manufacturing margins. Among these prophecies we know the global launch of the new G9X-2.0 MW product platform. This negative impact will be partially offset by the positive results brought by the cost optimisation measures and the product mix which will be punctuated by the lower margins that are expected to be obtained in some emerging markets. As a result, the expectation is that the EBIT margin range for Wind Turbines in 2012 will be between 2% and 4%. During 2013 the negative impact is expected to decrease as a result of the global launch of the new product platforms and there will be a growing positive contribution of the cost optimisation programs and the marketing of new products.

Conclusions

In a complex year for the sector, Gamesa ends the year with solid results in line with market guidance, while it made advances in the development of its Business Plan 2011-2013.

The sales of Wins Turbines grew by 16% compared with last year to 2,802 MWe, and an EBIT margin of 4% was obtained. The Farms unit signed agreements covering 417 MW and delivered 177 MW during the year, which allowed it to attain an EBIT of EUR 26 MM. Despite the working capital needs deriving from the internationalisation of sales and manufacturing capacity, the larger investments in property, plant and equipment and the Farm development activity, Gamesa ends the year with EUR 710 MM in net financial debt or 2x the Group's EBITDA, which is a solid financial position that is in line with the range set out in the guidance.

In turn, during the year Gamesa attained very significant milestones within the Business Plan 2011-2013. The launch of the new G9X-2.0 MW platform together with the marketing of the G97-2.0 MW cIII, the development of new operating and maintenance services such as the GPA program and the action that was taken to improve costs allowed the CoE to be optimised to between 10% and 15% depending on the platform and the region. The commercial expansion, with sales in 23 markets and to more than 46 customers, the sale of new operating and maintenance services, with 16,300 MW under maintenance and the Farm construction and sales activity have contributed to generate 10% growth in consolidated sales. Finally, thanks to the efficiency programs a stable consolidated EBIT margin has been maintained despite operating in an extremely competitive environment.

Despite the good results obtained from sales activity, which allowed the 2011 to end with 1600 MW in the portfolio, 13% higher than 2010 volume, the economic and regulatory uncertainty in key markets such as the United States or southern Europe, and the delays in accessing the network in the Chinese market make it advisable to focus financial targets in 2012 on increasing the robustness of the balance sheet and to maintain positive profitability at the expense of sales volume. In this connection, Gamesa is bringing forward by one year its objective to reach a net free cash flow equilibrium that was initially projected for 2013.

Given an uncertain short-term environment, weak energy demand due to the absence of economic recovery, and regulatory uncertainty in key markets such as the United States, or the still existing excess capacity that continues to encourage aggressive sales practices among some competitors, Gamesa's business model is prepared to successfully face this situation while it continues to invest in its Business Plan.

The sales diversification and expansion that has characterized Gamesa since the beginning, early exposure to emerging markets, where wind energy demand has not been restricted by the economic situation, the growth in operating and maintenance services and the Farms activity, allow Gamesa to better weather fluctuations in demand. The flexible approach of manufacturing activities, combining internal production with external supplies to optimise margins and investments, the rapid adjustment of capacity to demand-first in the 90 days in 2009 and later in Stained in 2011-and the trajectory of cost optimisation through the implementation of the first program (PMC500) in 2008 allow the Company to protect profits while attaining higher margins than the industry average. Finally an R&D+i investment process, closely linked to the Energy Cost optimisation intended to satisfy customer needs, ensures a return on the investment and positions Gamesa's product portfolio at the highest levels in the industry.

3. Main business risks

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

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

To mitigate this risk, Gamesa has obtained financial hedging instruments from financial institutions.

4. Use of financial instruments

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

5. Subsequent events

There are no significant events that took place after the year end that have not been disclosed in the consolidated financial statements.

6. Research and development activities

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

In 2011 the main addition to “Research and Development Expenditure” under intangible assets was due to the development by Gamesa Innovation and Technology, S.L. of new wind turbine models and to the optimisation of the performance of their components amounting to approximately EUR 68,112 thousand (approximately EUR 39,221 thousand in 2010).

7. Treasury share operations

At 31 December 2011 Gamesa maintains a total of 3,234,426 treasury shares representing 1.308% of share capital.

The total cost for these treasury shares total EUR 27,541 thousand, each with a par value of EUR 8.5150.

A more detailed explanation of transactions involving treasury shares is set out in Note 18 of the Notes to the Consolidated Financial Statements (Note 12.c of the Notes to the Individual Financial Statements)

8. Capital structure

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

In accordance with Article 4 of the bylaws of Gamesa Corporación Tecnológica, S.A. as worded on 15 July 2011 "Share capital totals FORTY-TWO MILLION THIRTY-NINE THOUSAND TWO HUNDRED NINETY-SEVEN EURO and TWENTY-EIGHT CENTS (EUR 42,039,297.28), divided into TWO HUNDRED AND FORTY-SEVEN MILLION TWO HUNDRED AND EIGHTY-NINE THOUSAND NINE HUNDRED AND EIGHTY-FOUR (247,289,984) ordinary shares with a par value of SEVENTEEN CENTS (EUR 0.17) each, numbered sequentially from one (1) to two hundred and forty-seven million two hundred eighty-nine thousand nine hundred eighty-four (247,289,984), all forming a single class and series."

SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information in the possession of GAMESA CORPORACION TECNOLOGICA, S.A. the capital structure at thirty-one December 2011 is as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
IBERDROLA, S.A.	48,510,767	0.000	19.62
BLACKROCK, INC.	0.000	12,258,161	4.96

(*) Through:

Name of direct holder of the stake	Number of direct voting rights	% total voting rights
BLACKROCK INVESTMENT MANAGEMENT (UK) LIMITED	12,258,161	4.96

9. Restrictions on the transfer of shares

There are no restrictions on the transfer of shares.

10. Significant direct and indirect shareholdings

See point 8.

11. Restrictions on voting rights

There are no restrictions of any kind on voting rights.

12. Shareholder agreements

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

13. Rules governing the appointment and replacement of the members of the board of directors and amendment of the corporate by-laws

Pursuant to the provisions of article 32 of the GAMESA CORPORACIÓN TECNOLÓGICA, S.A. Corporate By-laws, as amended by Shareholders at a General Meeting held on 25 May 2011, 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 Bylaws.

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

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

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

Finally, article 19.5. 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 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 point two of the Board of Directors Regulations, "Directors shall tender their resignation to the Board of Directors, and where the Board should consider it appropriate, shall step down-following a report by the Appointments and Remuneration Committee-in the following circumstances:

a) In the case of Directors appointed to represent shareholder interests, where said Directors or the shareholders they represent should cease to hold a significant and stable shareholding in the Company, or where the said shareholders should revoke the representation conferred on the Director.

b) In the case of executive Directors, where the Board of Directors should consider this appropriate.

c) In the case of external Directors, where they should join the executive line of the Company or any of the Group companies.

d) In the case of independent Directors, where they should incur for any reason in any of the circumstances envisaged by Article 8 point two of the Regulations, which are incompatible with the status of independent Directors.

e) Where, for supervene in reason, they incur in any of the circumstances of disqualification or prohibition envisaged in the current regulations, the Corporate 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 that age.

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

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

j) When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed 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 special respectability necessary in order to be a Director of the Company."

Rules applicable to the amendment of the Corporate By-laws

The amendment of the Gamesa Corporación Tecnológica, S.A. Corporate By-laws is governed by the provisions of Articles 285 to 290 of the Spanish Capital Companies Act, without any requirement for reinforced majority beyond those provided for by Article 201 of that legal text.

Article 7 of the Shareholders General Meeting Regulations, as amended by shareholders at the General Meeting held on twenty-five May 2011, expressly includes the amendment of the Corporate By-laws as being within the powers of this body.

14. Powers of attorney of the members of the board of directors and, in particular, those relating to the possibility of issuing or repurchasing shares

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

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the 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

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 treasury shares. There follows below a verbatim transcription of the resolution approved by the Meeting under item 10 the Agenda.

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

a. Acquisitions may be made directly by Gamesa Corporación Tecnológica, Sociedad Anónima, or indirectly through its controlled companies
b. Acquisitions of shares, which must be fully paid up and free from all charges and/or encumbrances, shall be made through sale and purchase transactions, exchanges, or any other method allowed by law.
c. Acquisitions may be made, at any time, up to the maximum figure allowed by law.
d. The minimum price for the shares will be their par value and the maximum price may not exceed ten percent (10%) of their listed price on the date of acquisition.
e. A restricted reserve may be set up in the Company's equity equivalent to the calculated value of the own shares in the assets. This reserve must be maintained for as long as the shares are not disposed of or amortized.
f. The shares acquired may be subsequently disposed of under such conditions as may be freely agreed.
g. This authorization is granted for a maximum term of 5 years, and expressly renders of no effect the authorization granted by the Company's Annual General Meeting on 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 dated 21 September 2011 (Relevant event 155308) between Iberdrola, S.A. and the subsidiary of Gamesa Corporación Tecnológica, S.A., Gamesa Eólica, S.L. Sole-Shareholder Company, in the event of any change in control of Gamesa Corporación Tecnológica, S.A. would allow Iberdrola, S.A. to terminate the framework agreement without the parties having any claim against such termination.

16. Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

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

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

CARLOS RODRÍGUEZ-QUIROGA, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS OF "GAMESA CORPORACIÓN TECNOLÓGICA, S.A." , WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, EDIFICIO 222 WITH EMPLOYER IDENTIFICATION NUMBER A01011253.

HEREBY CERTIFY:

That the text of the consolidated activity report for 2011 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. authorised for issue by the Board of Directors at its meeting held on 22 February 2012 is the content of the preceding 152 sheets of unstamped paper, on the obverse only, and for authentication purposes has been attested to with his 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.

Jorge Calvet Spinatsch
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Benita Ferrero-Waldner
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

Carlos Fernández-Lerga Garralda
Member of the Board of Directors

Iberdrola, S.A.
(Agustín Delgado Martín)
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

José María Vázquez Egusquiza
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Zamudio, 22 February 2012 In witness whereof
Approval of the Chairman

Jorge Calvet Spinatsch
Chairman and CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors


Gamesa

SUSTAINABILITY

TRENDS, CHALLENGES AND OPPORTUNITIES IN SUSTAINABILITY

Society is currently undergoing rapid and profound changes, in large part due to the global economic crisis. The economic slowdown has also had an impact on business, driving companies to focus on sustainability as a business imperative to create a climate of trust with stakeholders.

Gamesa addresses the challenges arising from these changes by providing technological solutions for producing energy which is clean, long-lasting and abundant. It is also leading the discourse on shifting the energy model to a competitive low-carbon economy, reducing uncertainty about future energy solutions and increasing the credibility of renewable energies.

Social changes

There have been notable improvements in recent decades in the main social welfare indicators:life expectancy, decline in poverty, energy consumption, income, health, access to basic services...

There has also been sustained population growth (to 7 billion people in 2011), especially in Asia and in cities, which has allowed for expansion of the middle class.

These events have created large numbers of new consumers, who need access to more basic services, more infrastructure and, above all, more energy which is more competitive. A change in the power relationships between the new communities and the companies that operate in them is also expected, as companies' permission to operate will hinge on their contribution to those communities.

Environmental changes

Despite these social improvements, maintaining the current consumption levels for a population of close to 9 billion (expected by 2050) will depend on the planet's resources and climate change.

The greenhouse effect will continue to increase as the population and its energy needs grow, reaching close to 60 Gt of CO_2eq by 2030.

Some countries, such as Australia, China, India, Poland and South Africa, still generate between 68% and 94% of their electricity and heat by burning coal. Two-thirds of global CO_2 emissions are generated by just ten countries, led by China and the US, which together produced 12 Gt of CO_2 in 2011 (41% of the total). According to the OECD, primary energy consumption in Brazil, Russia, India and China is expected to expand by 72% between 2005 and 2030 (compared with 29% in the 30 OECD countries). Greenhouse gas (GHG) emissions from those four countries will increase by 46% by 2030, to exceed total GHG emissions by the 30 OECD countries.

According to these estimates, the global concentration of CO_2 will reach 530 ppm of CO_2eq by 2050 and 780 ppm of CO_2e by 2100. As a result, the average global temperature will increase by between 3.7°C and 5.6°C more by the end of the century.

Energy demand will expand by 47% by 2035, according to the International Energy Agency (IEA). In a fossil fuel-based economy, with oil prices on the rise and a freeze on investment in nuclear power, renewable energies are playing a decisive role, as they are cleaner, safer, more affordable and more competitive. In this context, wind energy is a strategic element and has grown steadily to reach 238 GW installed worldwide in 2011.

Economic changes

Against the backdrop of the economic crisis and difficulties in accessing funding, affecting mainly the West, new economic powerhouses have emerged in the last decade—China, India, Brazil and Russia—leading to a redistribution of economic influence. This globalisation is one of the main factors driving growth in demand for energy, transport and other services that are necessary for business and trade, leading to major investments in infrastructure.

Currently 25% of the global population lacks access to electricity or relies on an expensive, irregular supply. The IEA estimates that electricity demand in China will reach 9,594 TWh by 2035, with annual growth of 5.3%. Coal is currently the main source of electricity (80%). By 2020, the electricity mix will include 150 GW of installed wind capacity, up from 60 GW in 2011.

Changes in the wind industry

The global economic crisis has slowed wind industry development, although its growth fundamentals remain sound. These changes have given rise to new needs:

- Ensuring energy security, by attaining energy independent through using a source that is not only local but also abundant, so as to mitigate adverse geopolitical situations;

- Energy competitiveness, in terms of price per MWh, a key factor. In this context, wind is one of the renewable energies whose cost is close to parity with conventional energies. According to Bloomberg New Energy Finance, the cost of energy of a wind farm with average wind resources will be fully competitive with coal, natural gas and nuclear energy by 2016. The levelised cost of energy, without subsidies, in sites with a good level of wind resource has declined, from €200/MWh in 1984 to €52/MWh currently. In areas with significant wind resource, such as Brazil, wind energy is currently cost-competitive with fossil fuel-based technologies;

- Wind is a necessary source of energy, especially in view of the need to halt the impact of climate change. Wind energy is clean, hardly consumes any natural resources and is inexhaustible. It does not generate hazardous waste or emit CO_2, and it creates jobs and procurements from local supply chains.

The Intergovernmental Panel on Climate Change (IPCC) expects considerable growth in renewable energies. Projections which include a greater contribution by renewable energies estimate growth of 43% by 2030 and 77% by 2050.

Broadly speaking, there is a consensus that wind power will play a predominant role in global energy production, underpinned by long-term growth based on:

- an onshore wind industry becoming mainstream in Eastern Europe;

- growth in Asia and other emerging markets;

- the development of an offshore wind market, especially in the UK, Germany, France and China (medium-long term); and

- a positive regulatory outlook in most markets, despite uncertainties related to economic support for renewables.

The growing competitiveness of wind energy, together with governments' commitments to combating climate change, will offset the current demand shortfall in mature markets in the long term. In the short term, the shortfall is being offset by growth in emerging markets, such as Asia, Latin America and Africa, where demand is not linked to the impacts of climate change, but, rather, to the need to combat structural energy deficits or excessive dependence on a single domestic energy source.

Customer relations also reflect changes in the industry. Professional operators—utilities and independent power producers (IPP)—are strengthening the sector, accumulating portfolios in their local markets to meet commitments in terms of renewables and seeking long-term collaboration with wind turbine manufacturers that can offer comprehensive knowledge of the value chain.

Globalisation has increased competition in the wind industry, where industrial groups have the greatest market share, the presence of small/local operators wanes, and new companies arise in "low-cost" regions.

In this scenario, manufacturers can distinguish themselves in two ways: through technological differentiation and through the continuous search for cost efficiency, based on offering the lowest cost of energy (CoE) as a combination of capex, O&M costs, performance and availability over a wind farm's useful life.

Changes in the prospects for global companies

Despite the effects of the economic slowdown on business, companies are focusing on sustainability, by including it in their strategy and implementing it throughout their supply chain.

According to the study entitled 'A New Era for Sustainability (2010)' by the United Nations Global Compact, 93% of CEOs surveyed stated that sustainability will be vital for the survival and future success of their businesses, and 72% opined that brand, trust and reputation were among the three main factors that lead them to implement sustainability-related actions.

In recent years, business behaviour has been analysed in detail, as companies undertake to comply with global standards. This allows for greater monitoring of their economic activity and their social and environmental initiatives, which aim to enhance protection of human rights in all dimensions.

One example is the Communication from the Commission to the European Parliament and the Committee of the Regions on a Renewed EU Strategy for 2011-14 on Corporate Social Responsibility (October 2011), which renews efforts to promote social responsibility of businesses so as to create conditions favourable to sustainable growth, responsible business behaviour and durable job creation in the medium and long term.

Priority aspects of sustainability include the need to develop business ethics, codes of corporate governance and practices to combat fraud, corruption and bribery in order to instil a proper understanding of responsibility in companies.

Employees demand talent management and employability enhancement processes as well as sustainable employment opportunities, and working conditions which exceed market standards in terms of wages, job satisfaction, security, career prospects and a discrimination-free workplace.

As a result of globalisation and the complexity of logistics or the localisation/manufacturing of components in certain countries, suppliers raise concerns to companies about improving control of collective responsibility and the safety of all parties in the supply chain.

Society and communities are calling for shared value creation in a scenario where the company contributes to society while being aware of the pressure on natural resources and minimizing impacts, as well as contributing to better living standards through transparency and inclusive communication processes.

Gamesa's approach

In view of the current scenario, Gamesa is focusing on its competitive advantages.

To achieve this goal, Gamesa seeks to create value by using a model which combines:

- accessing new customers and markets through innovation, promoting new products and services and a comprehensive business portfolio;

- return on investment, incorporating sustainability into its operations and value chain, and creating sustainable products/services; and,

- risk management, undertaking programmes which enable it to monitor regulatory, operating and reputational risks, among others.

The drivers of sustainability which will enable the company to achieve this integrated value proposition include: Mission, values and attitudes; the Business Plan; the Sustainability Strategy and Risk Control.

Mission, values and attitudes for success

In 2011, Gamesa redefined its mission, values (teamwork, innovation, excellence, respect and sustainability) and attitudes for success (leadership, global company and passion for the customer) and the Gamesa Way project, which seeks to involve the entire organisation in this corporate culture.

Business Objectives 2011-2013

Gamesa's response to the global and industry challenges is set out in the Business Plan 2011-2013, which aims to strengthen its leading position via three strategic vectors:

- Reduction in the Cost of Energy (CoE), which focuses on the goal of helping customers generate more energy with fewer resources. In 2011, Gamesa reduced the CoE by 10-15%, depending on the platform and market. To achieve this objective, Gamesa will continue to work to improve its wind turbine availability and reliability, launch new turbine models and improve its fleet availability (already over 98%);

- Gamesa aims to create wealth in local economies and develop local supply chains through globalisation and accessing new customers. The company will intensify sales in growing wind markets and to new customers: utilities in central and northern Europe, and regions such as South-east Asia, Australasia, South Africa and the Middle East. The services area will step up sales efforts outside Spain for its new value-added programmes and large component repair and overhaul services. The wind farm development and sale division will continue to monetise its pipeline, focusing especially on the US in 2012;

- Efficiency. Continually optimize safe, reliable, environmentally friendly processes and generate good quality sustainable jobs. This growth driver is particularly important in the current market context. In an economic and market situation with short-term complexities, Gamesa will give priority to a solid balance sheet and profitability.

Sustainability strategy

The main objectives of Gamesa's sustainability strategy are to create value for stakeholders, achieve business targets and contribute to risk management. Through its strategy and action plans, the company aims to establish its own unique business and management model committed to value creation and sustainable development.

Gamesa aims to lead the transition to a sustainable world and to take advantage of any opportunities which arise as a result.

This approach is set out in the three vectors of the sustainability strategy (2012-2014): Being exemplary (ensuring the coherence of our commitment to sustainable development); Personality (materializing the "Gamesa hallmark" in our relationships with third parties); and Presence (making ourselves seen and heard as we accompany the development of the communities in which we operate).

Gamesa has developed a Master Plan based on these vectors which comprises several lines of action:

Gamesa's Sustainability Master Plan

Strategic line of action	Objectives	Begins	Ends
Being exemplary			
Development of ethical principles of reference - integrity framework	Reinforce the ethics code to strengthen and encourage exemplary behaviour	2011 2nd Quarter	2014 2nd Quarter
Incorporate commitments	Ensure that incentives related to the company's values and commitments and people's behaviour are aligned	2011 1st Quarter	2015 2nd Quarter
Keeping one step ahead of changes-institutional work	Ensure that the company is apprised of social, environmental and ethical changes which are important for the company and the businesses in which it operates	2012 2nd Quarter	2014 4th Quarter
Leadership in sustainable management-climate change	Enhance performance in terms of commitments to, and management of, greenhouse gas emissions	2011 1st Quarter	2015 4th Quarter
Sustainability-driven actions	Ensure coherence between the company's practices and its business model based on sustainable development	2011 1st Quarter	2014 2nd Quarter
Personality			
Alignment with employees-culture	Reinforce the ethical framework with respect to labour practices and workplace health and safety in all operating areas	2011 1st Quarter	2014 2nd Quarter
Strengthening the supply chain	Reinforce the company's ethical framework in terms of supply chain practices	2011 2nd Quarter	2015 4th Quarter
Promoting integration and inclusion-commitment	Reinforce Gamesa's practices in terms of including groups with different needs in growth areas	2011 1st Quarter	2014 2nd Quarter
Presence			
Committed globalisation - Local roots	Using social commitments as a lever in the process of opening the company up to foreign markets	2011 3rd Quarter	2014 3rd Quarter
Partaking in commitments - volunteering	Offer all employees the possibility of collaborating in social initiatives undertaken by the company	2012 1st Quarter	2014 2nd Quarter
Generating trust - dialogue and education	Establishing stable platforms for engagement and education with opinion leaders and stakeholders in key markets	2011 3rd Quarter	2014 4th Quarter

Risk control system

Gamesa has a Risk and Opportunity Control and Management Policy which establishes the foundations and general context underpinning all components of risk control and management.

In 2011, to further its commitment to full legal compliance, Gamesa established a new procedure and created a specific compliance function to facilitate oversight of compliance with, and anticipation of, legal requirements.

The company also revised and updated its Code of Conduct and approved a Crime and Fraud Prevention Policy and a preventive programme based on several action principles in the last year, with a view to adapting its policies and rules to changes in regulations. It also advanced with the development of an Internal Control and Financial Reporting (ICFR) System to provide reasonable assurance of the reliability of the financial information that Gamesa, as a listed company, discloses to the securities markets.

Gamesa has a risk management and control model which groups risks in the following categories:

- Environment risks, which can have a direct or indirect impact on the company's attainment of its objectives and strategies;
- Process risks, arising from the company's own activities: risks related to operations, management, technology, information processes, integrity and finance;
- Risks that the information used to make decisions is unreliable or incomplete.

Gamesa uses a risk and opportunity map, which is updated on a quarterly basis. Moreover, the map undergoes a more comprehensive review once a year, coinciding with changes/updates to the objectives.

Stakeholder engagement

Main concerns	Key issues identified
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 impacts and risks Energy and environmental 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) (KPI) Policies for the recovery and restoration of damaged ecosystems
Communities and social investment	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 the corporate volunteer programme
Ethics and Integrity	Public commitment to business ethics Adoption of international ethics and integrity initiatives Adoption of codes of conduct and compliance systems Reporting regarding degree of compliance with the code Disclosure 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 among employees of practices 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 policy 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 Sustainability or CSR Committee within the Board of Directors Inclusion of ESG know-how in the Investor Relations Department

Main concerns	Key issues identified
People	Human resources policy based on leading international standards (i.e. ILO) Policy of diversity, inclusion and equal opportunities Commitment to job stability and management of employability Development of a framework of corporate culture and values which reinforce the commitment Professional development based on competencies Talent attraction and retention policy Compensation based on merit (performance evaluation systems) Inclusion of external perception metrics (reputational risk, client satisfaction, stakeholder feedback, and environmental metrics for reduction of corporate emissions) 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, provide psychological help, etc.) Training and awareness-raising about workplace safety Trend of employee and contractor accident indicators (KPI) Trend of absenteeism indicator (KPI) Objectives for reducing occupational accidents, and degree of progress

Voluntary commitments

Strategic line of action		Key issues identified
United Nations Global Compact	Since 2005	Commitment to, and support of, the ten principles of human and labour rights, environmental protection and the fight against corruption. Publication of the Communication on Progress on compliance with those principles, available on the Spanish Global Compact Network website
Global Reporting Initiative (GRI)	Since 2006	NGO that promotes transparent and reliable sustainability reporting through the use of a framework which applies to all types of organisations
Caring for Climate: The business leadership platform	Since 2007	An initiative of the United Nations Global Compact that seeks to involve businesses and governments in taking measures to combat climate change. Gamesa is true to its commitments to increase energy efficiency, reduce greenhouse gas emissions and collaborate with public and private institutions
Carbon Disclosure Project (CDP)	Since 2008	Independent not-for-profit organization comprising over 475 institutional investors which together manage assets worth 36 billion euro. CDP gathers information on risks and opportunities related to climate change, emissions reduction plans and transparency of corporate actions to mitigate climate change
The Prince of Wales's Corporate Leaders Group on Climate Change	2008-2010	Gamesa signed the Cancun, Copenhagen and Poznan agreements on climate change as part of the United Nations Framework Convention on Climate Change (UNFCCC)
Fundación Entorno	Since 2009	Spanish Business Council for Sustainable Development, which aims to work with business leaders to address the challenges of sustainable development and seize business opportunities in this area. Gamesa participates actively in the Energy and Climate Change working group, a multi-sector platform which analyses the framework of action to achieve a low-carbon economy
Women's Empowerment Principles	Since 2010	Expressed support for the Women's Empowerment Principles promoted by UNIFEM and the United Nations Global Compact
FSC-Inserta, ONCE Foundation	Since March 2011	The company signed an agreement which defines the framework, rules and the terms of collaboration with the ONCE Foundation so as to coordinate each entity's resources, knowledge and experience with a view to promoting projects that facilitate the social and professional integration of people with disabilities

BUSINESS **ETHICS**

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.

Gamesa's governance structure rests on two main bodies: the General Shareholders' Meeting and the Board of Directors.

The General Shareholders' Meeting decides by majority vote on the issues within its competence. All shareholders are bound by the resolutions of the General Meeting, without prejudice to their legal right to challenge them.

The Board of Directors is the supreme representative and decision-making body of the Company except in the matters reserved for the General Shareholders' Meeting. The Board's mission is to safeguard and promote the corporate interests of Gamesa and its shareholders, maximising the company's economic value in a sustainable way. The Board is governed by the Board of Directors Regulation (www.gamesacorp.com/en).

The policies approved by the Board of Directors cover Crime Prevention and Anti-Fraud, Control and Management of Risks and Opportunities, Dividends, Corporate Social Responsibility, Treasury Stock, Investment and Financing, and Corporate Governance.

The Board has an Executive Committee with the power to adopt decisions, and two special committees with powers to provide information, advice, proposals, oversight and control: the Audit and Compliance Committee and the Appointment and Remuneration Committee.

The Executive Committee, which was created in January 2012, comprises five members and provides support to the Board of Directors' decision-making in a context marked by the company's increasing globalization; it has the power to adopt decisions, allowing them to be taken more quickly, rapidly and directly.

The company's Chairman is also CEO and, accordingly, holds the position of first executive. Gamesa limits the risk of concentrating power in a single person in several ways, including the appointment of a Lead Independent Director and reservation of specific powers for the Executive Committee.

The Board of Directors is comprised of renowned specialized professionals with experience and expertise in the area of corporate responsibility. The Board of Directors and the Appointment and Remuneration Committee propose the appointment of candidates, and submit that proposal to the General Meeting of Shareholders.

The Board of Directors of Gamesa complies with the principle of diversity, as it is comprised of both men and women. Women accounted for 20% of the Board in 2011, i.e. exceeding the average in Ibex 35 companies (10%).

There are five (of a total of ten) external and independent directors on the Board, compared with just two executive directors.

The Board of Directors devotes at least one meeting per year to assessing its own performance and that of its committees, and the performance of the Chairman.

The list of members of the Board of Directors is included in the corresponding section of this Annual Report. The organisational structure of the committees is as follows:

Executive Committee

Martín, Ignacio	Chairman	Executive
Arregui, Juan Luis	Member	Independent
Iberdrola, S.A. (represented by Delgado, Agustín)	Member	Proprietary, representing a significant shareholder
Lada, Luis	Member	Independent
Rubio, Sonsoles	Member	Proprietary
Rodríguez-Quiroga, Carlos	Secretary (Non-Member)	N/A

Audit and Compliance Committee

Vázquez, José María	Chairman	Independent
Rubio, Sonsoles	Member	Proprietary
Lada, Luis	Member	Independent
Rodríguez-Quiroga, Carlos	Secretary (Non-Member)	N/A

Appointment and Remuneration Committee

Fernández-Lerga, Carlos	Chairman	Independent
Arregui, Juan Luis	Member	Independent
Aracama, Jose María	Member	Independent
Rodríguez-Quiroga, Carlos	Secretary (Non-Member)	N/A

Remuneration

Director remuneration is regulated in the By-Laws as well as in the Board of Directors Regulations, and is proposed by the Appointment and Remuneration Committee. Directors receive a fixed annual remuneration for belonging to the Board and to its Committees and per diems for attending the meetings.

Remuneration for the Chairman and CEO is aligned with his executive status and comprises fixed remuneration, in line with the market situation and based on the principle of moderation, and variable remuneration, linked to achievement of the strategic objectives set out in the Business Plan.

In 2011, Gamesa drafted a Report on Director Remuneration Policy, which includes information on remuneration of individual members of the Board in 2010. This report, which was approved by the Board, was submitted voluntarily to the General Meeting of Shareholders for an advisory vote in 2011, and was approved by 94% of the votes.

In 2009, Gamesa adopted a specific set of rules in the Code of Conduct to prevent conflicts of interest, corruption and bribery. Those rules were revised in 2011.

Gamesa reinforced its commitment to fighting fraud and corruption in 2011 by approving the Crime Prevention and Anti-Fraud Policy and the Ethics and Compliance Programme, creating the post of Compliance Manager and granted decision-making powers to the Compliance Unit.

The objective of the Compliance Unit is to ensure compliance with different kinds of regulation, including regulations on the following areas: mercantile-civil, wind business, customs, competition, intellectual and industrial property, labour, health and safety, environment, transport, products and materials, securities market, data protection, asset protection, taxation and accounting.

The Compliance Unit appears before the Audit and Compliance Committee twice per year to report on the degree of adherence to the Code of Conduct and the Rules of Procedure in Securities Markets and any actions taken in this regard.

SHAREHOLDERS
AND INVESTORS

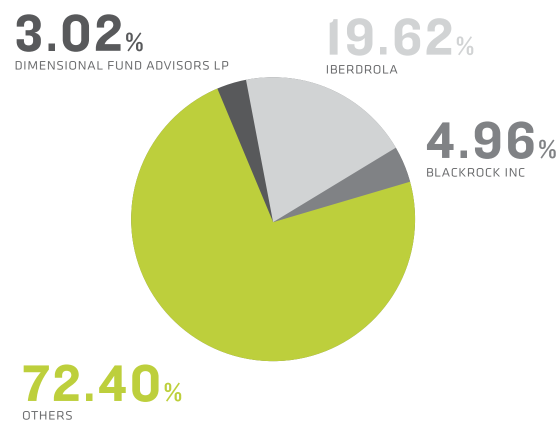
Gamesa pays special attention to its shareholders. One of the company's top priorities is the continuous creation of value for its shareholders, while respecting its commitments and ensuring social integration and respect for the environment.

Gamesa's commitment to its shareholders and to the financial community is to maintain communication that is transparent, accurate and complete and which truly reflects the company's situation.

Gamesa's main means of communicating with its shareholders are the corporate website, direct relations with the Investor Relations and the Shareholder Office, and the General Shareholders' Meeting.

Gamesa organises the Electronic Shareholder Forum prior to the General Shareholders' Meeting. Shareholders may use the forum to discuss proposals they plan on presenting as supplements to the agenda, requests for support for such proposals, launch initiatives to attain a sufficient percentage in order to exercise minority shareholder rights (5%), make offers of, and requests for, proxies, etc.

MAIN SHAREHOLDERS



Main actions in 2011

- Shareholder Information Office: 521 calls
- Shareholder services mail box: 1,064 queries
- Institutional investor and analyst services mail box: 528 queries
- Ongoing contact with 36 research firms
- Meetings with more than 180 investors were held in the main financial centres: Madrid, Hong Kong, Singapore, London, Frankfurt, Geneva, Zurich, Edinburgh, Milan, Paris, New York and Boston
- Active participation in conferences addressing institutional investors in London, Zurich and Madrid, meeting with more than 100 investors
- The corporate website has a specific area for investors and shareholders: 190,000 visits/year
- Results and corporate presentations: followed by 1,142 people
- Seminar on the company's technology and product platforms: attended by 42 analysts
- General Shareholders' Meeting: attended by 50% of share capital.

Sustainability and other indices

Gamesa is part of the leading international sustainability indices: Dow Jones Sustainability Indexes, FTSE4Good and FTSE4Good IBEX, Ethibel Excellence, Cleantech Index, S&P Global Clean Energy Index and Global Challenges Index, among others.

Gamesa has been included in the Dow Jones Sustainability Indexes for the fifth consecutive year.

In the most recent edition, Gamesa achieved its highest overall score, maintained its leading sector position in the social dimension, and improved notably in the environmental dimension, due to the performance of metrics tracking its consumption of energy and other natural resources.

The company's performance in the area of sustainability was also notable, specifically in terms of implementing the code of conduct and anti-corruption policy, and also in the workplace health and safety categories, where it attained the highest overall and sector scores, respectively.

CUSTOMERS

Gamesa aims to meet the needs and expectations of its customers in an optimal, reliable and competitive way, and to promote long-lasting commercial relations based on a constant focus on service, trust and added value.

The company is equipped with its own wind turbine design and technology development capacity, which is vertically integrated. This capacity includes manufacturing, assembly and installation, as well as O&M services.

Gamesa establishes product specifications that cover functional and performance requirements, and legal and regulatory requirements, and incorporate information from previous similar designs, client specifications and recyclability as well other essential design and development requirements.

The systematic reviews performed as part of this methodology include the necessary aspects to ensure that all relevant issues relating to health and safety, the environment and energy efficiency are covered in both the design and development of the product.

Reducing the Cost of Energy (CoE)

One of the key factors for Gamesa is a customer-driven approach. A distinctive feature of Gamesa is its flexibility to offer innovative technologies, products, services and ideas that improve our customers' competitiveness.

In this context, the company's strategy aims to reduce the CoE by 20% in 2013 and by 30% by 2015.

The goal of helping customers generate more energy with fewer resources led to a reduction of CoE in 2011 by 10-15%, depending on the platform and market.

To advance towards this goal, Gamesa continues working to improve the availability and reliability of its wind turbines and to expand its product offer, focusing on turbines with larger rotors for all classes of wind.

The initiatives undertaken in this context include:

- Launching the G9X-2.0 MW platform and the G97 (with sales of 356 MW in the first year) and G114 models, to provide maximum performance at low wind sites;
- The G128-4.5 MW turbine obtained IEC WT01 type certificate from GL Renewables Certification, an independent guarantee of the technology used in the most powerful onshore wind turbine in the market. This certificate makes the Gamesa 128-4.5 MW a bankable turbine, which will facilitate fund-raising for wind projects with this turbine and reinforce the sales process already under way;
- Eco-design certification for the G128-4.5 MW turbine, from TÜV, in accordance with the ISO 14006:2001 standard. This is the first turbine in the world to obtain this certification (for more information, see the Environment section);
- Promoting O&M activities with the sale of new products, such as GPA (to improve fleet availability, which is over 98% at Gamesa), programmes to extend the turbines' useful lives, and large component repair services.

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 sold, warranties are set out in contracts with customers.

Conclusions of the CSP

Phase	Rating	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	Satisfied	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

Customer proximity and satisfaction

Gamesa establishes mechanisms for communication with, and proximity to, its customers, as well as continuous feedback processes.

In 2011, Gamesa completed its sales network, distributed in 9 regions and 23 offices worldwide and from where it can access wind markets on five continents; it participated in 29 international onshore and offshore industry fairs (+56%); increased participation in sector events, organised seminars on products, services and technology, and launched an exclusive portal for its O&M customers.

Every two years, Gamesa conducts its Customer Satisfaction Project (CSP), a personalised survey of its main customers which allows for direct communication and evaluates the quality of service. The 2010 edition of the CSP achieved 92% participation by customers (expressed as a % of MW sold); 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 and maintenance phase. No customers expressed dissatisfaction with any phase.

Life Cycle Assessment

In recent years, Gamesa has intensified the Life Cycle Assessment (LCA) of its products with a view to evaluating the environmental impact of products, processes and activities, considering the entire life cycle with a view to improving efficiency and competitiveness. The LCA allows for improvement actions to be implemented in all phases: design, raw material and component procurement, manufacturing, delivery, assembly, operation, maintenance and dismantling.

Gamesa completed the Ecowind project at the end of 2011. This process involved a Life Cycle Assessment of a Gamesa G90-2.0 MW wind turbine, which inventoried 99.8% of the turbine and covered components and processes such as the nacelle, rotor, tower and foundation. LCA can also be performed on the new G9X-2.0 MW platform.

This method, which was also used on the company's electric car charging stations, will be considered for other platforms, such as G10X-4.5 MW and offshore turbines, and progress will be made on integrating it into the technology area.

EMPLOYEES

Gamesa, which has over 8,000 employees, uses a human capital management model 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 Sustainability.

Gamesa's human capital management approach integrates equality, cultural diversity (there are almost 50 nationalities in the company), non-discrimination, and equal opportunities.

The company defined an Equality Plan with the CCOO, UGT and ELA labour unions in Spain in 2010. In 2011, Gamesa implemented the first actions defined in the plan and is working to adequately monitor the indicators, considering aspects such as gender, equality principles in people management procedures, and cultural issues associated with values such as respect and sensitivity to Gamesa's key groups, among others.

The company 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 mechanisms to detect discrimination-related incidents: the Compliance Unit, which handles the Whistle-blower Channel, and the Harassment Prevention Committee.

2011 LABOUR INDICATORS

No. employees	8,357
% international workforce	42%
% women	23%
% permanently employed	88%

Remuneration and compensation policy

Gamesa's personnel selection, development and talent management processes are governed by the principles of equality, merit and capability. Nobody should be subject to discrimination due to their gender, age, race, religion, beliefs or opinions. All applicants are assessed using criteria that deal exclusively with professional requirements, thereby ensuring proper assessment of their knowledge, capacities and abilities. The company complies with the legislation in force in terms of hiring people with disabilities.

Gamesa makes it a priority to seek and hire local talent in the countries where it is established. It also promotes internal mobility within the group, both locally and internationally, encouraging a global attitude and knowledge transfer. A total of more than 750 short- and long-term internal transfers were arranged in 2011, i.e. 33% more than in 2010. Gamesa also implemented its first international development programme (i-STEp), with a view to encouraging international experience through 19 high-impact projects lasting 3 months on average.

Gamesa has a Performance Evaluation Process which applies to 4,540 people in total (54.3% of the workforce) and comprises:

- a Management by Objectives (MBO) system, which makes it possible to translate company strategy into operational action plans by setting annual objectives. Evaluation of the results of these objectives directly impacts Gamesa's 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.

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 of intrinsic and extrinsic rewards. It must contemplate all aspects of compensation and benefits which may be demanded.

Gamesa tailors remuneration to professional skills and market wages, which ensures that it is fair and competitive. The ratio between Gamesa's standard starting salary and the comparable rate is approximately 2 in Spain, 1 in the US, 2.3 in China and 1.2 in Brazil. In India, which is a highly-competitive market, salaries are set in line with the market and industry standards and with the specific post.

In keeping with the company's commitment to equality and non-discrimination, the basic salary ratio between men and women is 1:1 (taking as a reference the base salary).

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. This policy ensures that the remuneration scheme is the same for all employees: fixed + variable remuneration + benefits.

Benefits

Gamesa views benefits as an instrument that offers protection and guarantees employees' standard of living. These include preventive medical care and periodic check-ups, life insurance for executives, a shopping club, company cafeterias, flex-time, etc.

The company also offers the Gamesa Flex Programme, whereby managers in Spain can obtain part of their compensation in various ways to obtain tax savings and economic benefits.

This plan includes products such as health insurance, home rentals, restaurant vouchers, computer equipment, transportation and child care vouchers. More than 628 employees signed up for these products in 2011, i.e. 25% more than in 2010. The average tax saving was 900 euro per year per participant.

Gamesa offers pension plans in some countries, in accordance with the legislation, with contributions as a function of wages. 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 employees contribution up to 4% of the employee's salary. All employees in the United States have access to our 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%.

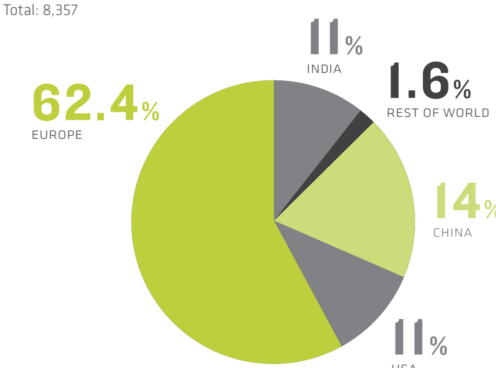
Gamesa also has a Stock Ownership Plan, which aims to strengthen employees' commitment, trust and loyalty. The amount that each employee decides to allocate to the purchase of shares, up to a maximum of 1,200 euro, is financed by Gamesa and deducted proportionally from the employee's paycheck from the date the plan is launched (May) until the end of the period.

The company contributes one share free of charge for every two acquired by the employee, provided that he/she continues to work at Gamesa and holds the shares until the end of the vesting period. A total of 39.17% of Gamesa employees worldwide have participated in this programme. The initiative was recognised at the Global Equity Organization (GEO) Industry Awards, which honour organizations that demonstrate leadership in employee stock ownership.

Gamesa also offers a Long-term Incentive Plan, which seeks to strengthen key employees' commitment by delivering shares linked to the achievement of the objectives in the Business Plan 2011-2013. The plan has 175 beneficiaries, including the Chairman and CEO, executives and other key personnel.

WORKFORCE, BY REGION

Total: 8,357



Freedom of association

Respect for, and promotion of, labour rights are enshrined in Gamesa's Code of Conduct and its sustainability principles: freedom of association and affiliation and the effective right to collective bargaining, working also for the elimination of forced or compulsory labour, child labour and any form of coerced labour.

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 trade unions in the United States and Spain. The second collective agreement in the US was signed in 2011. There are 40 works committees or individual union representatives in Spain, with whom Gamesa held 130 ordinary meetings, 61 negotiation meetings and 67 meetings on other topics in 2011. In 2010, an agreement was reached with workers' representatives for a temporary downsizing plan at four plants in Spain and the closure of a fifth plant.

The process included a relocation plan to mitigate the effects of the downsizing measures. The facilities in Bergondo and Sigüeiro were combined and the company was able to keep the 74 workers from the two plants on the payroll. Thirty-one employees were transferred temporarily to other facilities in Spain and 28 to India, China, and the US to support development and training in those regions.

Gamesa also negotiated the renewal of five specific agreements at the plants in Somozas, Asteasu, Munguía, Burgos and Ágreda, and commenced negotiations at another six. The company also signed 38 replacement contracts with social partners in Spain for work centres where the workforce was older (for workers aged 62 and over).

Gamesa guarantees union election processes; 15 were held in Spain in 2011. In Brazil, where Gamesa started operating in 2011, the employer and worker organisations differ between territories.

In China, the National Union encourages workers to establish their own unions; Gamesa management supports all initiatives in this direction and coordinates with the National Union in this regard. In this process, Gamesa undertakes the activities normally provided by unions, such as the organisation of social activities, company cafeterias, and commuter buses.

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 negotiation processes. Gamesa's plant in India currently has committees in place.

Employability and training

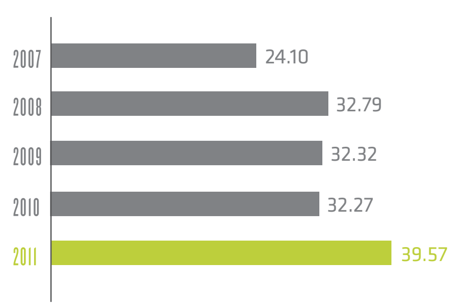
Another of the pillars on which Gamesa's value proposal with employees is based is employability, with opportunities for career development through training and professional experience as fundamental aspects of the talent management process, for which the company uses its Corporate University.

In 2011, 8,260 employees received training, i.e. practically all of the staff (98.4%) attended at least one course during the year. The number of training hours in 2011 rose by 46% when compared to 2010. Gamesa has an extensive training catalogue, with 381 courses, 17% of which are on-line.

In 2011, Gamesa University promoted two self-development tools for managers: a library of management book summaries, with more than 5,000 available, which attained 6,147 downloads; and an on-line language-learning platform that offers seven languages at various levels (more than 15,500 learning hours in 2011).

TRAINING HOURS PER EMPLOYEE

TOTAL: 323,694 HOURS IN 2011



The Corporate University has a special training centre, Gamesa Faculty (Facultad Gamesa), for internal and external employees and for customers and suppliers. The company has training centres in Spain, the US and China (and plans to expand them to the UK and India), with more than 50 courses and a platform of 50 full-time teachers, specialised in each of the wind turbine components and with participation by Gamesa suppliers. More than 2,000 hours of face-to-face training were given in 2011, attended by more than 323 external persons.

Since 2009, Gamesa has been providing continuous training activities related to the Code of Conduct and Human Rights. These programmes were concentrated particularly in China and India in 2011.

In line with the implementation of its Equality Plan, in 2011 the company organised two pilot sessions to raise awareness about equality. The first was attended by 13 representatives from the Pamplona plant's works committee, and the second by 39 persons from the human capital management teams.

Gamesa signed a framework agreement in March 2011 with the ONCE Foundation-FSC Inserta to work together to promote hiring of people with disabilities and to raise awareness among employees about disabilities. As a result of this agreement, more people with disabilities have been included in the hiring process for positions which are aligned with their experience and qualifications.

Corporate culture

Gamesa focused especially on corporate culture in 2011, implementing several processes to reinforce the company's mission, values, attitudes and principles of action.

It also rolled out Gamesa Way, a project to raise awareness about the company's Business Plan 2011-2013 and its mission, corporate values and attitudes for success. All employees were invited to participate in this initiative, which aims to ensure the organisation’s alignment, dialogue and a better understanding of Gamesa through management teams and key groups within the company.

A total of 6,644 employees (84%) took part in 323 work sessions. Employees expressed a high level of satisfaction with the programme (4.18 out of 5) and a high level of commitment to the company’s mission (58.2%, i.e. an increase of 12 points compared with 2008). Gamesa Way is also included in the induction process for new employees.

Gamesa periodically conducts a survey (most recently in 2010) to measure employee satisfaction and their level of commitment compared with previous years (2008). Between 2008 and 2010, Gamesa performed 120 action plans, improving employees' overall satisfaction and commitment.

In 2011, Gamesa revised its Code of Conduct, which was approved by the Board of Directors and rolled out via various internal channels throughout the organisation. The Code was published in Spanish, English, Chinese, Tamil and Portuguese. An opinion poll showed an improvement in understanding of the Code: 74% of employees stated they were conversant with its content, compared with 49% in 2008.

Internal communication

Other communication actions between Gamesa and its employees include:

- Corporate intranet, with 114,860 visits in 2011 (+48%) and 134 news items published (+91.4%)
- Internal mailbox: 286 comments and/or requests; all of them answered
- Employment portal: 521 job offers published and 578 internal candidates
- Employee portal: launched in February 2012, available to all employees in Spain with email (2,700 people)
- Gamesa Shoppers Club, with special services and discounts for employees. 5,510 visits to the Gamesa Club portal
- Gamesa Club mailbox: 61 queries
- Gamesa Flex mailbox: 1,071 queries
- Human Capital Management mailbox: general issues on management of human capital, MBO processes, induction procedures and other topics. A total of 301 emails were received, of which 89 were in the process of being answered or assigned at the end of 2011
- Executive meetings: Gamesa Management Group GMG-2011 and the China Management Meeting
- Gamesa's Stock Ownership Plan and Gamesa-Equity mailbox: 464 requests for information/clarifications were handled
- Gamesa's 2nd Awards for Patents and Inventors. 46 participants and 26 patents reviewed. Gamesa granted awards to two patents related to blade lifting and wind turbine power control
- Internal campaign: "World Excellence Day", microsite, videos, specific material, etc.
- Family Day in Chennai (India): 853 people (263 employees, 452 family members, 120 children)
- Solidarity campaign among employees to help in the treatment of the child of a worker at the Tianjin nacelle plant in China who suffers from a serious form of leukaemia. 58,900 euro raised (employee contributions and matching contributions from the company)
- Induction procedures.

Health and safety

Employees' health and safety is one of Gamesa's priorities. Accordingly, reducing accident frequency and seriousness indices is among the corporate objectives used to gauge employee management.

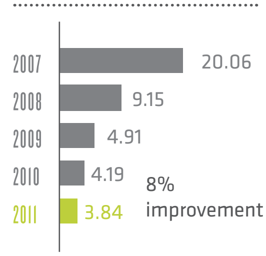
Gamesa's accident rate in 2011 was its lowest ever: the frequency index of accidents with days lost declined by 8% and the seriousness index by 25%. There were no employee or unsupervised sub-contractor fatalities in 2011.

Gamesa performed 83 comprehensive audits, 1,123 workplace health and safety actions (with a degree of effectiveness of 92%), 21,549 safety inspections and 3,020 scheduled safety observations. Investigation of accidents and incidents led to 2,539 actions to improve workplace health and safety in 2011.

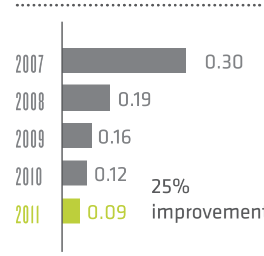
Compliance with the annual safety management plan in 2011 was 90%. Gamesa's programme has become an example to follow for the rest of the industry. In 2011, the company's safety team trained experts from the Spanish National Institute of Workplace Safety and Hygiene and received an award at the Conference on Workplace Medicine and Safety. Gamesa also collaborates with the European Agency for Safety and Health at Work on its Healthy Workplaces programme.

Gamesa organises safety committees at individual work centre to ensure collective participation in designing safety policies and monitoring the execution of measures to improve work conditions; the committees are regulated by law. All workers are represented at the meetings.

FREQUENCY INDEX



ACCIDENT SEVERITY INDEX



SUPPLIERS

Gamesa continued to pursue its global growth strategy in 2011, strengthening its presence in the countries where it already operates and entering new markets; this has led the company to rapidly identify, develop and train the supply chain in each of the geographic areas where it has a presence.

The supply chain is globalised by sourcing from global suppliers with a local presence, seeking new local suppliers and encouraging existing suppliers to internationalise with a view to expediting localisation, but without jeopardising quality or performance.

Gamesa works mainly with local suppliers in its principal markets, primarily in Europe, the US, China and India. Within just one year of commencing operations in Brazil, 48% of procurements were being sourced locally in 2011, with a target of 60% for 2012.

Gamesa has globalised its supply chain 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.

One of the company's business objectives is to generate wealth in areas where it has manufacturing plants and to allocate its own staff to work at suppliers' facilities in order to ensure their technological development and competitiveness. Gamesa has partnered with fibre glass structure suppliers in India, such as Venkateshwara Fibre Glass, and foundries in China, such as, Wuxi Faw Foundry.

The commitment to sourcing from local suppliers contributed notably to the reduction in the CoE in 2011 (in a situation where the cost of raw materials has continued to rise) by redesigning products and creating 133 projects with alternative suppliers.

Gamesa's procurements in 2011 amounted to over 2.3 billion euro from 881 direct suppliers, 50% in Europe and 30% in China, and 2,824 indirect suppliers, 63% in Europe and 20% in India.

Sustainability principles in the supply chain

Gamesa aims to establish relations with its suppliers, subcontractors and partners based on trust, transparency and sharing knowledge, experience and skills. Accordingly, it seeks to ensure that supplier selection processes are impartial and objective and to establish the proper channels for obtaining information on the ethical behaviour of suppliers, while committing itself to taking the necessary measures in the event that their behaviour violates the Code of Conduct.

Gamesa governs its relationship with suppliers through its General Procurement Conditions or specific agreements. These conditions explicitly require respect for human and labour rights and a clear position against fraud and corruption. Gamesa is working on full implementation of these principles among its suppliers. To that end, it requires a commitment from suppliers not to use child labour, 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. The general conditions also require that suppliers prevent fraud.

One of Gamesa's priorities in 2011 was assessing supply chain compliance with human rights principles. To this end, it used the Gamesa Supplier 2011 CSR Survey to analyse 4,828 suppliers in the areas of human rights, working conditions, and management systems. The response rate was 30% of total procurement volume in 2010. Further information may be found in the Gamesa Sustainability Report 2011.

The analysis gave rise to a plan in the global supply chain with the following actions:

- Adapting supplier relationship policies
- Strengthening supplier registration processes through the adoption of specific commitments to sustainability in the supply chain
- Supplier audit and verification processes; and
- Conducting periodic analyses of human rights issues in the supply chain.

The company implemented additional actions in 2011, including:

- Organising an event with domestic suppliers entitled "The challenge of international development", with a view to analysing the company's plan to expand worldwide and inviting suppliers to collaborate on the global growth strategy. More than 80 suppliers participated
- Supplier portal, for exchange of documentation on product technical specifications, quality and deliveries.

ENVIRONMENT

The commitments in Gamesa's Code of Conduct include continuous improvement and collaboration in sustainable development by managing and applying best practices in environmental protection from a preventive standpoint and promoting disclosure and training in this area.

These commitments are also upheld in the Integrated Workplace Health and Safety, Environment and Quality Policy and in the implementation of the environmental management system.

Gamesa contributes to the transition to a low-carbon economy with its experience and actions, and it accepts the challenge to maintain competitiveness by using the most efficient production methods possible. It 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 principles:

- Occupational health and safety is more than a priority: it is a value
- Commitment to responsible action regarding the health of both people and the environment. Aware of the interactions with is surroundings, Gamesa is committed to complying with the legislation in force relating to occupational health and safety, the environment and energy efficiency, as well as with 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 the 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 be an integral part of each person and each activity, especially in the case of team leaders.

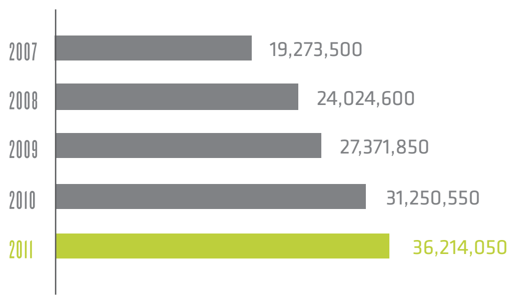
Gamesa has set the following environmental objectives for 2012:

- To make progress with the Sustainability Master Plan, promoting an environmental culture and participation by people
- To maintain the energy efficiency programme and reduce consumption by 10% compared with 2011
- To verify the carbon footprint

Main environmental indicators	2011	2010	2009	2008	2007
Raw materials (t/€mn)	45	41	40	47	43
Energy consumption (GJ/€mn)	421	401	321	354	396
Water consumption (m^3/€mn)	33	34	28	31	37
Waste produced (t/€mn)	5	5	5	5	5
Discharges produced (m^3/€mn)	20	20	17	13	20
CO_2 emissions (t/€mn)	18	21	15	17	19
CO_2 emissions avoided (t/€mn)	1,636	1,403	1,036	1,239	1,467
CO_2 emissions avoided (t, cumulative)	36,214,050	31,250,550	27,371,850	24,024,600	19,273,500

GHG EMISSIONS AVOIDED

T CO_2 AVOIDED PER MW INSTALLED



MW installed in the year	3,308
MW installed (cumulative)	24,143
GWh/year	60,357
tNOx avoided (cumulative)	414,953
tSO_2 avoided (cumulative)	229,356
toe avoided (cumulative)	5,190,681

- To reduce direct emissions and diffuse volatile organic compound (VOC) emissions by modifying processes and changing materials

- To reduce landfill usage by 10%, increase recycling and reuse. To maintain the programme to reduce waste management costs by 10% compared with 2011

- To identify substances which are hazardous and, therefore, should be gradually eliminated from processes and products

- To make progress in-house on eco-design by performing a Life Cycle Assessment (LCA) on the G10X and issuing an Environmental Product Declaration (EPD), and promoting the use of a methodology that permits a Life Cycle Cost (LCC) analysis under the auspices of the Basque Ecodesign Centre.

- To implement control indicators and to include Environmental Risk Evaluation Reports in the manufacturing processes for the new G10X and G11X projects, depending on the phase, in the Manufacturing Product Breakdown Structure (MPBS)

- To increase the percentage of suppliers with Environmental Management Systems in place and to encourage carbon footprint analyses.

Gamesa's integrated management system (IMS) 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. This integrated system ensures that practically 100% of Gamesa's production capacity around the world is certified to these standards.

The company has an ISO 14001:2004-compliant multi-site system which includes procedures for monitoring the company's indicators, as well as for analysis of the root cause of deviations, including nonconformities throughout the supply chain.

Ecodesign

Gamesa made notable progress in 2011 in environmental matters in two main lines of action: the certification of its greenhouse gas emissions in accordance with the ISO 14064 standard; and completion of a project, which used a multidisciplinary team of more than 400 employees, with the result that Gamesa is the first company in the world to obtain the Ecodesign certificate for its G128-4.5 MW turbine in accordance with the ISO 14006 standard (accredited by TÜV).

In this way, the company guarantees a minimal environmental impact of this turbine throughout its useful life: from component design –where 80% of the impact is defined for a product, process or service– to selection of materials, industrialisation, assembly and distribution, installation, operation and maintenance, and dismantling.

Designing the G128-4.5 MW in line with ecological principles allowed for the integration of environmental aspects in the definition of the product and the development of novel technology, focusing on our priority objectives: reducing the Cost of Energy and improving energy efficiency.

Compared with an average 2 MW turbine, this platform increases clean energy output 3.4-fold and attains a commensurate reduction in CO_2 emissions and tonnes of oil equivalent.

Achievement of this milestone, and its results, will enable the company to transfer the ecodesign to other products and processes. Future work areas will aim to integrate this methodology into the supply chain and to develop new platforms with the ecodesign seal, such as offshore products.

Gamesa will also include the methodology in its integrated management system so that all of the company's turbines and services in the future incorporate ecodesign.

Carbon footprint

The shift to a low-carbon economy gives a prominent role to wind energy, and Gamesa in particular, since the company addresses climate change by producing energy without CO_2 emissions, reducing dependence on fossil fuels, increasing energy security and contributing to stable energy prices.

The over 24,000 MW installed by the company up to 2011 have avoided the emission of 36 million tonnes of CO_2 into the atmosphere each year.

Gamesa also signed the Cancun, Copenhagen and and Poznan Communiqués, reinforcing its commitment to combat climate change.

The search for energy efficiency, in terms of cost/benefit analysis, is vital for reducing carbon dioxide emissions. Gamesa performs energy audits with a view to identifying and optimising its energy processes. In 2011, the company identified energy savings of 361,584 euro by avoiding 16,156 GJ/year, which avoid the emission of 1,354 tonnes of CO_2.

In 2011, the company bought a stake in N2S, a start-up specialised in energy efficiency based on a real-time energy consumption management system.

Biodiversity

Gamesa conducts an Environmental Impact Assessment (EIA) on all projects where required by government. When an EIA is not required, Gamesa applies internal controls to ensure compliance with legal and internal environmental requirements.

The number of EIAs increased in 2011 by 36%, mainly in Europe.

Important actions in the year included the following:

- Germany: economic compensation for the impact on natural vegetation; payment of environmental fees, amounting to 1.6 million euro; planting chestnut trees around the electrical infrastructure of a farm, to offset the environmental impact

- Germany and the US: Monitoring of fauna impact of occupation of the airspace, and the creation of sites for monitoring bird deaths during the two-year period following farm construction

- France: creating a picnic area at the entrance of a wind farm, with informational posters and a car park with space for three vehicles (one for people with disabilities); and building accesses and wooden furniture, planting shade trees and a garden.

COMMUNITY

Gamesa wishes to contribute to improving living standards and creating wealth, through its own products and services, by launching new business activities, and by promoting economic and social development through non-business channels.

Gamesa's strategy vis-à-vis the community is based on:

- Sensitivity to social change in order to better understand how the needs of society in general evolve and thus 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
- Creating jobs by leading new competitive business ventures
- Supporting the development of disadvantaged groups and sectors
- Contributing to raising the scientific and technological standards of our society by supporting research and promoting the use of environmentally-friendly technologies and methods
- Collaborating with institutions as a platform of action for the community's improvement and development.

This sensitivity translates into activities for the development of the socio-economic environments in which the company operates, through community support projects and programmes.

Gamesa's relations with society include commitments to respect the prevailing legislation and avoiding any behaviour which, though not in breach of the laws of the countries where it operates, contravenes the ethical values, principles and behaviour set forth in the Code of Conduct. Accordingly, Gamesa has developed regulations against fraud and has implemented mechanisms such as the regulation on the prevention of conflicts of interest, corruption and bribery.

The creation of sustainable employment, contributing to the development of local supply chains that enrich the socio-economic fabric in the area, and compliance with environmental regulations, are some of the company's contributions to social development. To develop local procurement, Gamesa engages in employer branding actions by participating in employment fairs and forums and promoting itself in universities.

Gamesa invested 117 million euro in R&D. During the year, it received 10.8 million euro in R&D subsidies from European, national and regional authorities, in addition to 12.8 million euro in low-interest loans.

Investing in the community

Gamesa influences the communities where it operates above and beyond its business operations, and this is extended into a long-term commitment.

In 2011, these activities were especially notable in India and Brazil, where Gamesa launched initiatives in the areas of health, education, and care for the environment.

Gamesa also conducted other development aid programmes aimed at mitigating socio-economic deficiencies in depressed areas and in 2011 it allocated funds to carry out projects of this kind in Tamil Nadu and Anantapur (India), as well as in São Paulo and Belém (Brazil). These projects benefit from funding under the "You choose, you decide" programme set up by the Navarra Savings Bank (Caja de Ahorros de Navarra - CAN).

Development aid projects supported by Gamesa in 2011 via the Navarra Savings Bank (CAN)

Description of the initiative	Location	Beneficiaries	Contribution €
Construction of a centre for people with disabilities in Karattuputhur	Tamil Nadu. India	175 children	73,091
Construction of a 35-unit housing complex	Andhra Pradesh. India	Dalit families	24,967
Housing and education for children and young people in a shanty town	Bauru, São Paulo. Brazil	Children, young people	31,242
Integrated education for girls	Belém, Brazil	Girls from Belém	10,700
Total			**140,000**

Main actions

- Health camps: preventive healthcare and diagnostic services in the communities of Thadichery, Iluppanagaran, Gudimangalam and Pazham Kottai. The programme provided advice to 2,155 persons. Additionally, 139 Gamesa employees took part in a blood donation campaign
- Education: support programme for 439 children in two schools in Shirgaon. The company also provided 5,345 euro to fund programmes in Chennai to refurbish classrooms, hostels and toilets for the "Shri Sharada Devi Home for the Differently Valued"
- Infrastructure development: upgrade work on the Union Primary School in Vadamalaypalyam and training in personal hygiene and facility maintenance. Electrical equipment was supplied to the Gudimangalam primary healthcare centre to avoid power cuts. The company also supports the Union Middle School, in Ambasamudram, by supplying drinking water and creating a hygienic environment at the school, which has 150 students
- Environment: establishment of a wood recycling unit at the Chennai nacelle plant to recover wood, nacelle packaging materials and other supply materials to produce school furniture. This unit expects to build 2,500 benches and desks in 2012
- Carbon footprint: in order to reduce the carbon footprint of wind turbine manufacture, assembly, commissioning and maintenance, the "green WTG" project envisages planting trees in the environs of wind farms. A total of 84,600 trees were planted in 2011, which will offset the carbon footprint of the 650 850kW wind turbines installed in India during the year
- Donation of uniforms: campaign to donate uniforms to children in country schools in Vadamalaipalayam
- In the United States, a toy donation programme was conducted, a food bank was set up for Thanksgiving, and 1,887 dollars were collected for St. Mary's Food Cupboard
- Gamesa conducted a solidarity campaign among its employees worldwide to help in the treatment of Fang Hongyao, the child of a worker at the Tianjin nacelle plant in China who suffers from a serious form of leukaemia. A total of 58,900 euros were collected, comprising donations from employees on four continents and matching funds from Gamesa.

Engagement mechanisms

- Corporate website: nearly 2 million visits and close to 5 million page views
- Media relations: 80 press releases were issued (+56%) and 700 queries were handled; Gamesa in the media: 20,000 mentions in on-line media, plus 600 in blogs and 5,000 in print media; in 2,280 cases, Gamesa was the main story or information source
- Official channels in social networks: Twitter, Facebook, LinkedIn and YouTube
- Institutional relations: meeting with foreign ambassadors accredited in Spain and senior diplomats from 38 countries. A number of Spanish congressional committees visited the G10X-4.5 MW blade plant in Aoiz (Navarra) and the research wind farm in Jaulín (Aragón)
- Eco-Entrepreneur XXI project: comprehensive programme of training, advice and support for entrepreneurs, to promote the creation and growth of innovative companies in the area of clean energy
- Chair of the Navarra Foundation for Excellence, which is devoted to promoting and disseminating the culture and principles of business excellence in all organisations in Navarra, both public and private
- Employer branding actions in 2011: 31 (seven in Spain, ten in China, ten in the US, three in the UK and one in India).

Associations

Gamesa takes part in the development of public wind energy policies through membership of industry associations in the countries where it has a presence. Through these associations, it also defends the interests of wind energy and works to consolidate it as a response to the energy crisis and climate change and as a key option for meeting targets for the reduction of pollutant gas emissions, as well as for the socio-economic development of communities.

In 2011, Gamesa was a member of 81 business associations and other social organisations: 48 in Spain and 33 in other countries.

Lobbying is a permitted, recognized and regulated practice in the United States. Gamesa's expenditure on lobbying is published and can be founded in the Lobbying Disclosure Database.

Awards and distinctions in 2011

- Gamesa's ranking in the MERCO corporate reputation index improved by 9 positions, to 39, and it is ranked 27th in terms of sustainability

- Annual Golden Award by the Spanish Chamber of Commerce in Great Britain in recognition of Gamesa's track record and its contribution to business relations between Spain and the UK

- Reporta 2011. Gamesa heads the group of Spanish companies whose disclosures are best adapted to communicating with stakeholders with regard to business activity, strategy, operations, business expansion, corporate responsibility, etc.

- The Randstad Awards 2011 select the best employers each year. Gamesa was recognised in two categories; for professional development and social/environmental commitment.

- Cegos/Equipos & Talento 2010 award for the Skills Development Program, in the category of Best Practices in Training and Development; award for best project in the energy sector; and award for Professional Recognition

- Award for best drill video at the Aoiz plant (Spain), granted at the Conference on Workplace Health and Safety held in Bilbao by the Spanish Association of Workplace Health and Safety (SEMST).

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