ANNUAL REPORT SUMMARY

2012

CONTENTS

Gamesa

01 MESSAGE FROM THE CHAIRMAN

Dear shareholder,

Gamesa had to operate in a very complex situation in 2012, characterized by macroeconomic and financial problems worldwide, which slowed the main economies, hampered access to funding and limited support for renewable energy in significant markets.

This situation inevitably impacted the wind power industry, greatly reducing demand, curtailing official aid for renewable energy and leading to a cutback in investment plans by traditional customers. Moreover, regulatory changes made the adjustment more difficult.

Because of this adverse situation, of lower growth and fiercer competition, Gamesa reported negative results in 2012. Nevertheless, we are among the companies in our industry that best weathered the year, as evidenced by our normalized margins as a result of our business model and geographical diversification.

The situation is complex, but it is precisely in this context that Gamesa decided to make a bold move with a view to the future.

We did so based on a realistic analysis, on prudence and, above all, on transparency, out of the conviction that Gamesa's operating excellence, its technology and innovation capabilities, its international leading position, and its product portfolio are sufficient to enable it to regain profitability.

To this end, it was necessary to adjust the company's operations to economic and industry realities. To achieve this, we developed a Business Plan for 2013-2015 which will enable us to create value at the bottom of the economic cycle while we prepare to respond to future growth and play a leading role in consolidation in the industry. This plan will enable us not only to weather the crisis successfully but also to emerge stronger, with an enhanced competitive position.

Implementing the plan required us to redimension our structure into line with market needs and an efficient operational model: this was difficult and painful, but nonetheless necessary to ensure the company's competitiveness. One of our goals is to consolidate Spain's position as the group's technology know-how centre and, with China, as a global production and supply hub.

One of our strategic goals is to strengthen Gamesa's balance sheet. To adapt to market realities and the Business Plan, we booked 600 million euro in writedowns, which impacted our bottom line.

To this end, the company is exerting strict control over working capital and capital expenditure, supported by the new business model in the wind farm development and sale business, which does not consume our own finance. Moreover, in line with the reduction in capital expenditure, Gamesa will concentrate its efforts on developing two new platforms–2.5 MW and 5 MW–oriented towards meeting market needs and reducing the cost of energy (CoE).

Competitive advantages

Gamesa is aware that strict cost control is a competitive advantage; consequently, it implemented a programme to contain costs which was completed in the first quarter of this year. As part of this programme, which ensures savings of 100 million euro, we are working on new production processes and on standardizing components, which will reduce the cost of energy; on consolidating a global supply chain; and on maximizing reliance on suppliers in Spain and China.

The cost optimization strategy will also enable us to raise the contribution margin by four percentage points despite persisting price pressure, which will support an increase in returns with the goal of reaching 17-18% in 2013 and exceeding 20% by 2015.

As a result of these strategies, Gamesa ended 2012 with a sound financial position and a solid equity situation, which, coupled with 2.2 billion euro in available credit lines, guarantee that the Business Plan can be implemented without having to seek additional funding.

The markets have responded favourably to the plan's realistic approach and the proven progress since it was implemented. Since the plan was presented, Gamesa's share has gained 59%. That increase has been confirmed by the leading research firms, which have been raising the share's target price in recent months. Even so, Gamesa stock still has upside potential. I am convinced that the share price will appreciate further as the market begins to realize this.

During these six months, since the plan was presented, we have completed the first—vital—part so as to return to profitability. But we still have work to do if we are to improve margins and recover profitability for our shareholders.

Although the outlook for demand in 2013 remains weak, Gamesa will operate profitably in this context of lower growth, based not only on the actions set out in the Business Plan, but also on its flexible business model, with a presence throughout the value chain and sound sales diversification.

Operating in this way throughout the entire wind value chain provides the company with a unique competitive position in terms of improving the cost of energy, supported by its technological expertise. Gamesa has installed close to 27,000 MW in 42 countries and has more than 19,000 MW under maintenance for 180 clients—evidence of its technological leadership. Wind farm development and sales is a key distinguishing factor which provides the company with a competitive advantage in the sector. Gamesa has developed 6,000 MW of proprietary capacity and has a pipeline of 18,000 MW.

The company's strong international presence allows it to diversify sales and respond as demand shifts to emerging markets, like Brazil and Mexico. In those countries, the company already has a sound position underpinned by local know-how, knowledge of customers' needs, and reliable products and services. This reinforces the strategy of focusing the business on key markets.

In 2012, 85% of Gamesa's sales came from international markets, and 32% from Latin America, where the company expects demand for wind facilities to grow by 25% in the next three years.

Strong position for the future

Despite market complexities, we maintain a positive outlook for 2013 in view of our Business Plan, sales diversification, strong liquidity and capital position, and flexible business model, supported also in part by cost savings and order intake: Gamesa ended 2012 with an order book of 1,657 MW, i.e. more than 50% of the sales volume target for 2013.

Gamesa is moving forward from a sound position and has the best strategy and team to continue to create value for its stakeholders in all of the countries where it operates. Not only will we weather the crisis, we will emerge stronger from it.

These solid long-term prospects are underpinned mainly by the efficiency of wind energy, with a cost of energy that is decreasing steadily, to the extent that it is already competitive—without the need for incentives—in some countries with high wind resource.

Gamesa's goal is to operate profitably in the short, medium and long term, without relinquishing growth opportunities. And that is where all of our efforts will be focused.

Ignacio Martín,
Chairman and CEO of Gamesa

02 KEY FIGURES

ECONOMIC INDICATORS

(million euro)	2012	2011	2010	2009	2008
Sales	2,844	3,033	2,764	3,229	3,834
MW equivalent sold	2,119	2,802	2,405	3,145	3,684
EBIT	(631)	131	119	177	233
Net earnings after tax	(659)	51	50	115	320
NFD/EBITDA	2.5x[1]	2x	-0.6x	0.7x	0.1x
Share price at 31 Dec. (€)	1.66	3.21	5.71	11.78	12.74
Earnings per share (€)	(2.63)	0.209	0.208	0.48	1.32
Gross dividend per share (€/share)	0	0.051	0.119	0.21	0.23

SOCIAL INDICATORS

	2012	2011	2010	2009	2008
Workforce	6,646	8,357	7,262	6,360	7,187
% international workforce	36	42	36	31	32
% women in workforce	23.74	23.17	24.55	25.52	25.34
% permanently employed	92	88	87	86	72
Hours training/employee	23.59	39.57	32.27	32.32	32.79
Accident severity index	0.073	0.09	0.13	0.16	0.19
Frequency index	2.39	3.84	4.19	4.91	9.15

ENVIRONMENTAL INDICATORS

	2012	2011	2010	2009	2008
Raw materials (t/€mn)	42	45	41	40	47
Energy consumption (GJ/€mn)	416	421	401	321	354
Water consumption (m^3/€mn)	33	33	34	28	31
Waste produced (t/€mn)	4	5	5	5	5
Discharges produced (m^3/€mn)	20	20	20	17	13
CO_2 emissions (t/€mn)	16	18	21	15	17
CO_2 emissions avoided (t/CO_2)[2]	40,151,715	36,214,050	31,250,550	27,371,850	24,024,600
CO_2 emissions avoided (t/€mn)	1,384	1,636	1,403	1,036	1,239

SUSTAINABILITY INDEXES

	2012	2011	2010	2009	2008
United Nations Global Compact	√	√	√	√	√
Dow Jones Sustainability Index	√	√	√	√	√
FTSE4Good	√	√	√	√	√
Ethibel Excellence Europe	√	√	√	√	√
Global Challenges Index	√	√	√	√	√
CleanTech Index (CTIUS)	√	√	√	√	√

1. Excluding extraordinary items.
2. Tonnes of CO_2 avoided due to the MW of wind capacity installed by Gamesa. Cumulative data.

03 MAIN MILESTONES

2013

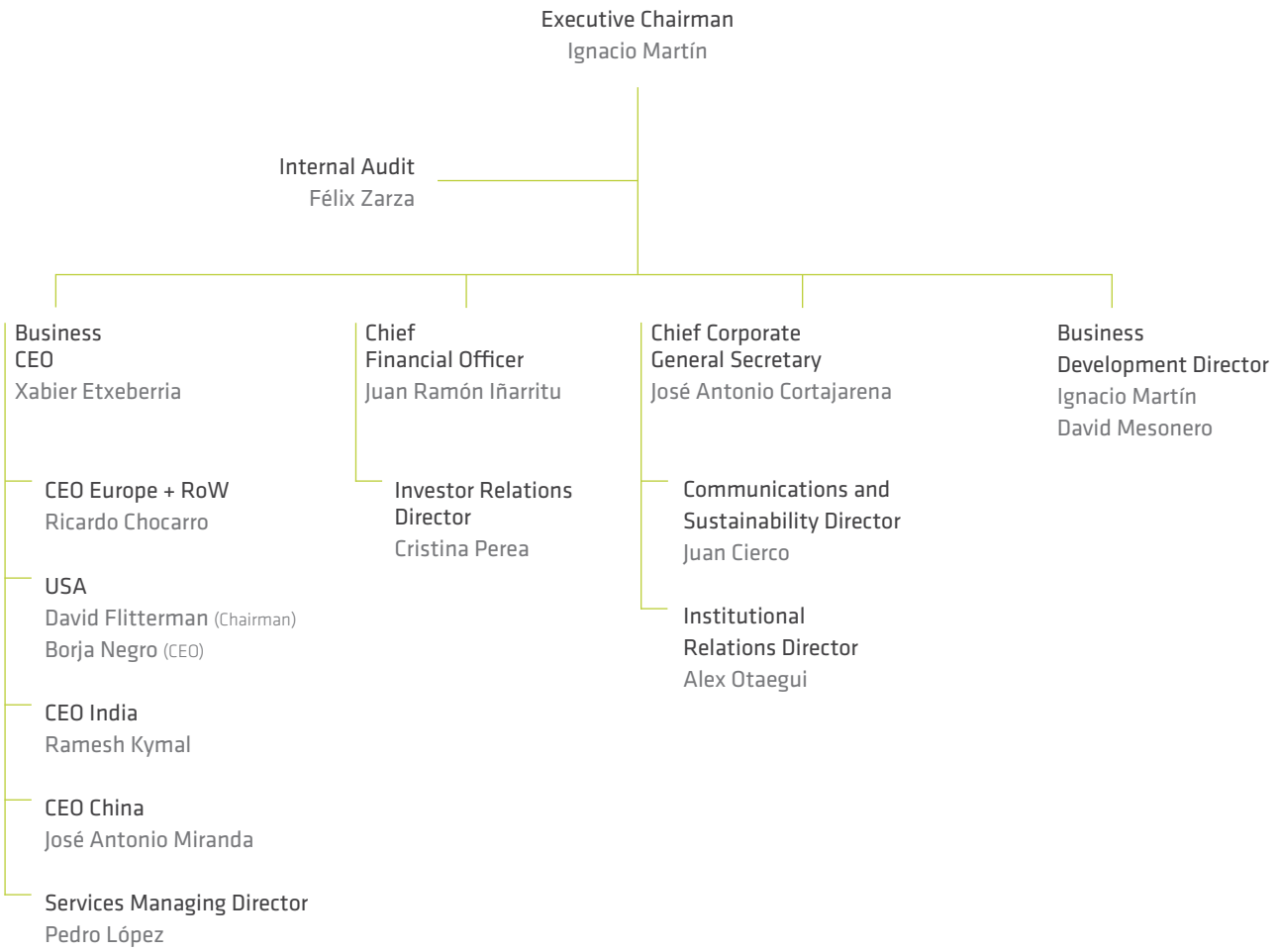
- Contract with Iberdrola to maintain 80 wind farms in Spain and Portugal, with total installed capacity of 2,286 MW.
- Presentation of 2012 earnings, which mark the beginning of profitability defined in the Business Plan 2013-2015.
- 10-year maintenance contract for 264 MW in the US.
- Gamesa named leader in sustainability in the renewable energy equipment industry by *Sustainability Yearbook 2013*.
- Design certification for the Gamesa 5 MW offshore platform.

2012

- First transaction under the new wind farm strategy: Heads of Terms with Impax to sell 183 MW of the wind farm pipeline in Germany.
- Presentation of the 2013-2015 Business Plan to operate profitably and flexibly.
- Entered a new market, Finland, under a framework agreement to supply 135 MW with 4.5 MW turbines.
- Signature of a 260 million loan from EIB for R&D and innovation.
- Consolidating footprint in Brazil with a new contract to supply 258 MW for ten wind farms.
- Gamesa, leader in the renewable energy equipment manufacturing industry in terms of economic, social and environmental performance, in the Dow Jones Sustainability Index.
- Expanding presence in India: contract to supply 75 MW to ReNew Wind Power.
- Gamesa diversifies its customer portfolio by selling three wind farms in France and Germany (56 MW in total) to KGAL renewable energy fund.
- Entered a new market, Nicaragua, with the turnkey installation of a 44 MW wind farm.
- Reaffirming Gamesa's lead position in the environmental and energy efficiency fields with the first wind turbine in the world to receive eco-design certification (G128-4.5 MW).
- Entered a new market, Uruguay, with an agreement to supply 50 MW to Abengoa.
- Gamesa installed its first offshore prototype in Spain, at Arinaga port (Gran Canaria).
- Ignacio Martín appointed Executive Chairman.
- Launch of the G114 -2.0 MW Class IIIA turbine, which maximises returns in low wind sites.
- European launch of large component refurbishment service.
- MoU with the Port of Leith to establish Gamesa's industrial base for offshore operations in the UK.
- Agreement to sell 480 MW in the US to Algonquin Power.
- Inauguration in Honduras of the largest wind farm in Latin America (102 MW).
- Strengthened manufacturing operations in growth markets: Gamesa opened its second plant in India.

04 ORGANISATION

Management

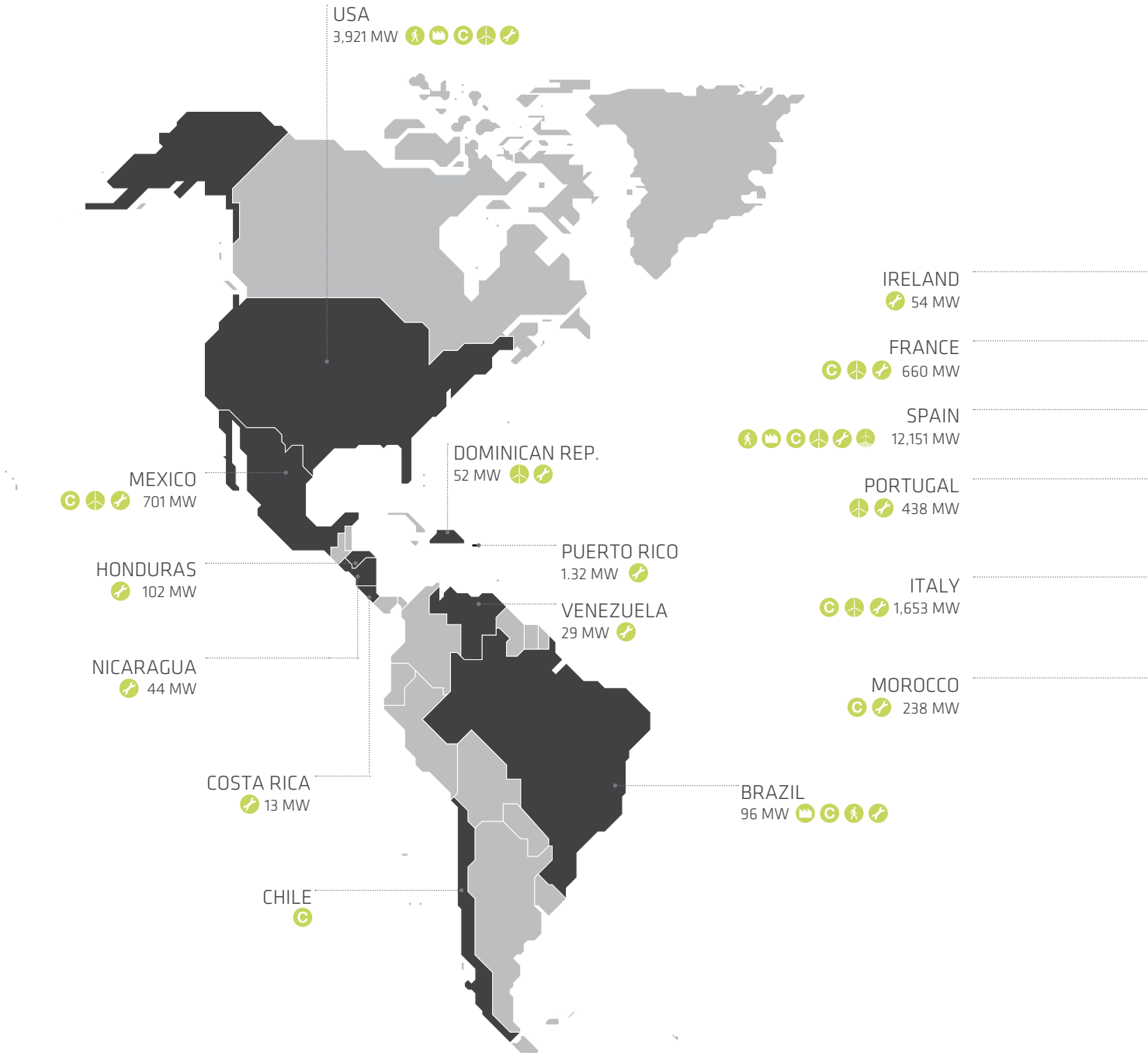


Board of Directors

Chairman	
Ignacio Martín [1]	Executive
Deputy Chairman	
Juan Luis Arregui [1 & 2]	Independent
Members	
José María Aracama [2]	Independent
Manuel Moreu	Independent
Ramón Castresana [2]	Proprietary
José María Aldecoa [1]	Independent
Luis Lada [1 & 3]	Independent
José María Vázquez [3]	Independent
Sonsoles Rubio [1 & 3]	Proprietary
Secretary and Board Member	
Carlos Rodríguez-Quiroga	Executive
Deputy Chairman non Member	
José Antonio Cortajarena	

1. Executive Committee
2. Appointments and Remuneration Committee
3. Audit and Compliance Committee

05 GEOGRAPHIC DIVERSIFICATION



MW installed cumulative

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

Other countries with MW installed:
Canada, Argentina, Ecuador, Cuba, Vietnam, Taiwan and South Korea.


Gamesa

06 INDUSTRY CONTEXT

282,430 MW
installed worldwide (cumulative)

44,711 MW
installed in 2012

Last year was a tough year for the wind energy sector, shaped by more sluggish growth closely linked to a number of factors. On the one hand, there was a temporary dip in demand for electricity in developed countries due to the economic slowdown; as a result, existing capacity was sufficient to cover electric power demand. Accordingly, there was a contraction in demand for new wind energy facilities and a shift in demand towards emerging markets.

At the same time, policies supporting renewable energy continued to be pared down in a number of countries, in a bid to tackle their sizeable debt and in the context of the austerity policies. This trend has had a direct impact on the IRR of wind projects, on top of the difficulties in accessing funding in the current context, all of which has hampered electric utilities' investment plans. To complete this tough picture, the wind energy sector has surplus manufacturing capacity, which is pressuring prices and manufacturers' margins.

However, the difficult economic and sector situation did not prevent the industry from installing a record 44,711 MW in 2012, i.e. 10% more than in the previous year, bringing total global capacity to 282,430 MW, according to Global Wind Energy Council (GWEC) figures. The United States and China vied for world leadership, both having installed just over 13 GW last year. However, while capacity in the US increased by 27%, China saw a significant slowdown.

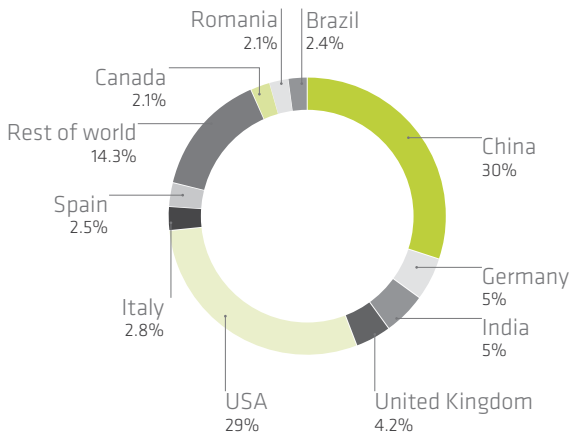
In the US, in a race against the imminent expiry at the end of 2013 of the production tax credits (PTC, extended in January 2013 until 2014), over 8,000 MW were installed in the fourth quarter of 2012, more than half of the year's total of 13,124 MW. Overall, 2012 was a historic year for wind energy, which became the largest single source of electric power generation in terms of new installed capacity (42% of the total) for the first time, according to American Wind Energy Association (AWEA) data. "What is just as striking as the new records is the expansion of new customers. A total of 66 utilities bought or owned wind power in 2012, up from 42 in 2011," said AWEA CEO Rob Gramlich.

Also in North America, installed capacity increased by 17% (935 MW in 2012) in Canada and more than doubled in Mexico, with 801 MW becoming operational, making a total of 1,370 MW; this brought the number of countries having more than 1,000 MW of total installed capacity to 24. Demand in Mexico is based on the competitiveness of wind power due to the high resource in the regions of Oaxaca and northern Mexico, and the potential to export power to the US from Baja California. In the next few years, Mexico's Energy Secretariat expects between 350 and 1,500 MW to be installed, depending on progress with nuclear power.

The two biggest Asian markets, China and India, decelerated slightly, adding 13.2 GW and 2.3 GW, respectively, in the year. The consolidation and rationalisation of the market in China, plus persisting grid connection issues, depressed business in that country, which nevertheless continued to lead the sector worldwide in terms of total installed capacity (75,564 MW). In India, the sector was hampered by changes in wind energy incentives and more expensive financing.

Wind capacity installed in 2012

Total: 44,711 MW



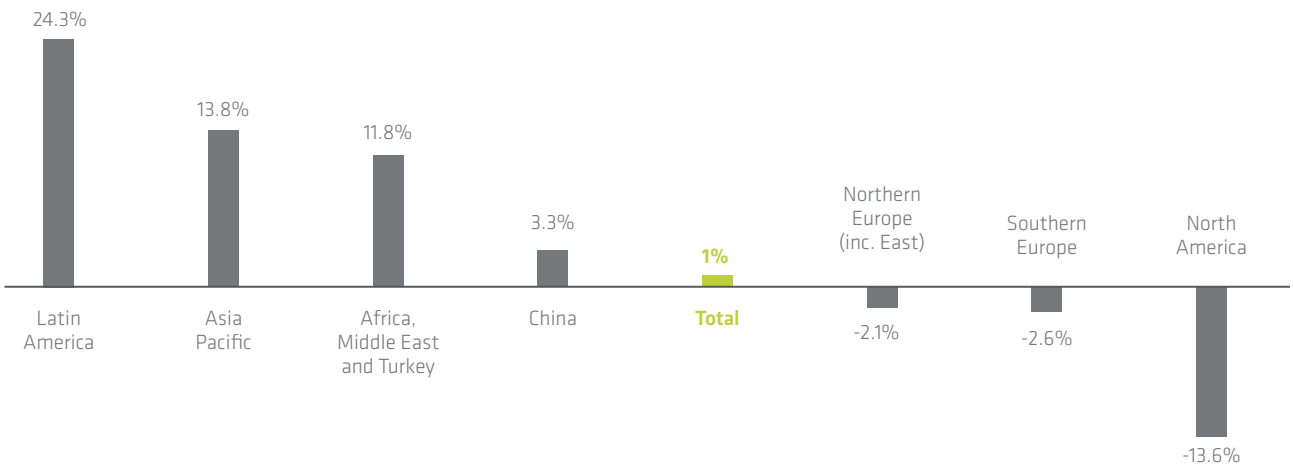
Source: GWEC

Europe, meanwhile, set a new record, installing 12.4 GW in 2012, driven by Germany (2.4 GW) and the UK (1.9 GW), followed by Sweden, Romania, Italy and Poland, according to GWEC data. Europe also retained its lead in the offshore market, with 1,166 MW installed, more than 90% of the total installed in 2012 (1,292 MW). "The 2012 figures reflect orders made before the wave of political uncertainty that has swept across Europe since 2011, which is having a hugely negative impact on the wind energy sector," said Christian Kjaer, CEO of the European Wind Energy Association (EWEA). "We expect this instability to be far more apparent in 2013 and 2014 installation levels," he added.

The Latin American market was led by Brazil, where 1,077 MW were installed, i.e. 88% of the region's total. Rising energy demand in Brazil is supported by economic growth prospects for the next few years (4.9% in 2012-2015) in a situation in which wind power is very competitive because of the high wind resource and the need to diversify the energy mix, which is currently very dependent on hydroelectric.

Australia, meanwhile, accounted for 100% of the 358 MW in new capacity installed in the Pacific region, to attain a total of 2,584 MW installed. The Middle East and North Africa had another quiet year, with just one 50 MW project in Tunisia. A significant milestone was the entry into service of the first large-scale wind farm in Sub-Saharan Africa: a 52 MW project in Ethiopia.

CAGR worldwide onshore installations (2012-2015e)



Source: MAKE

Solid future prospects

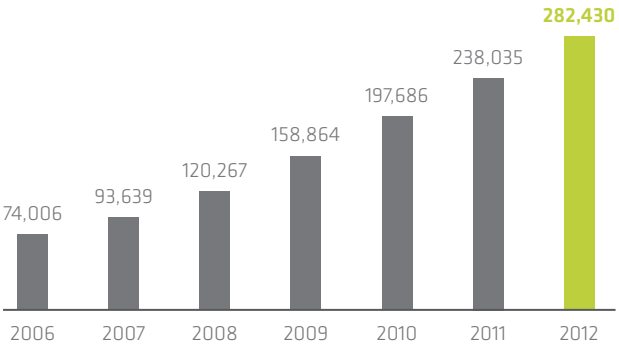
In the long term, aside from the economic difficulties in some key markets and the current difficulties in the sector, wind energy has a solid future. According to the fourth edition of the Global Wind Energy Outlook, published by the GWEC and Greenpeace, installed capacity could triple to 1,100 GW in 2020, based on its advanced scenario. MAKE, meanwhile, expects 4.2% growth between 2009 and 2016.

According to research by the United Nations' Intergovernmental Panel on Climate Change (IPCC), the contribution by renewable energy to the global energy supply will have doubled to 27% by 2050. Indeed, compliance with the agreements reached at the Cancun climate change summit require a much larger contribution, to close to 80% of global energy supply. Within that contribution, it is widely accepted that, because of its technological maturity and economic competitiveness, wind energy will play a dominant role in all regions.

This solid long-term future is underpinned mainly by the efficiency of wind energy, with a cost of energy that is decreasing steadily, to the extent that it is already competitive—without the need for subsidies or aid—in some countries with high wind resource. In fact, Bloomberg New Energy Finance (BNEF) estimates that, by 2017, wind energy will be the third-most efficient energy source in terms of normalised cost of energy, behind gas and hydroelectric. MAKE expects grid parity to be achieved in 2015 in Europe, and wind to be cheaper than any fossil fuel technology by 2020.

Accumulated installed wind capacity

MW



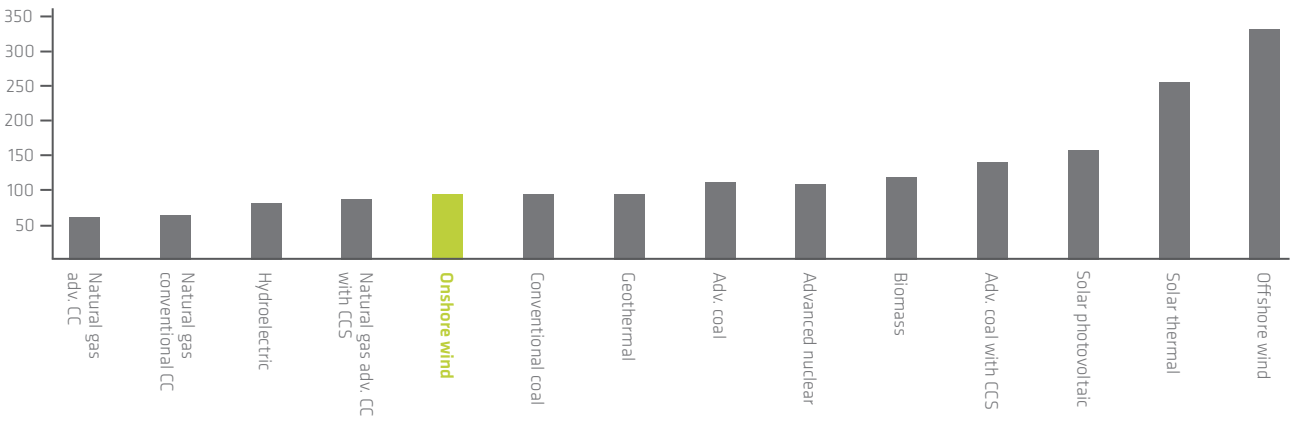
Source: GWEC

Not only is wind energy efficient; it also helps resolve the structural problems inherent to existing energy systems. This kind of energy drives diversification of energy sources and consequently reduces geopolitical exposure, guaranteeing electricity at a stable and predictable price throughout a facility's useful life.

Wind energy also allows for efficient use of resources (land, construction time and raw materials); it does not pollute during either operation or decommissioning; and it does not consume water during operation, an increasingly important aspect in a world in which water is progressively becoming a scarce resource.

Wind, the third most-efficient source after gas and hydroelectric by 2017

Normalised cost of energy (USD/MWh)



Source: BNEF


Gamesa

07 GAMESA 2012 AND STRATEGY

26,625 MW
installed (cumulative)

5,964 MW
installed in wind farms

18,168 MW
wind farm pipeline

19,111 MW
under maintenance

85 %
overseas sales

In 2012, Gamesa conducted its business against a complex economic and regulatory backdrop. The economic slowdown, coupled with regulatory changes in certain economies, have impacted the wind energy sector, lowering demand, reducing subsidies for renewables in significant markets and forcing traditional customers to curtail investment.

Gamesa is one of the most successful wind technology companies in addressing this challenging environment, thanks to a business model that ensures the group's presence throughout the value chain in wind–including turbine design, manufacturing and installation, wind farm development and sale, and operation and maintenance services–strengthening its position as a trend-setter in cost of energy (CoE) through its technological leadership.

- Almost 27,000 MW installed in 42 countries around the world establish Gamesa among the market leaders in turbine design, manufacturing, supply and installation. It has manufacturing facilities in Europe, Asia (China and India) and the Americas (US and Brazil).

- Gamesa's comprehensive range of turbines is complemented by its operation and maintenance services; the company currently maintains 19,111 MW for 180 customers worldwide. This activity is an essential means of creating value in wind farm development, availability and profitability.

- Having developed close to 6,000 MW of proprietary capacity, and with a pipeline of 18,000 MW, Gamesa is also a leader in wind farm development and sale, an element that distinguishes the company within the sector, as it focuses on unlocking the value of the portfolio while offering customers its technological expertise.

Gamesa's proposal to maintain sustainable growth in the medium and long term entails pursuing a diversification strategy focused on new technology, by identifying and investing in new businesses in the area of renewable energy, energy efficiency and others that offer potential synergies with the company's industrial activity, tapping its vertical integration and technological capacity.

New 2013-2015 strategy

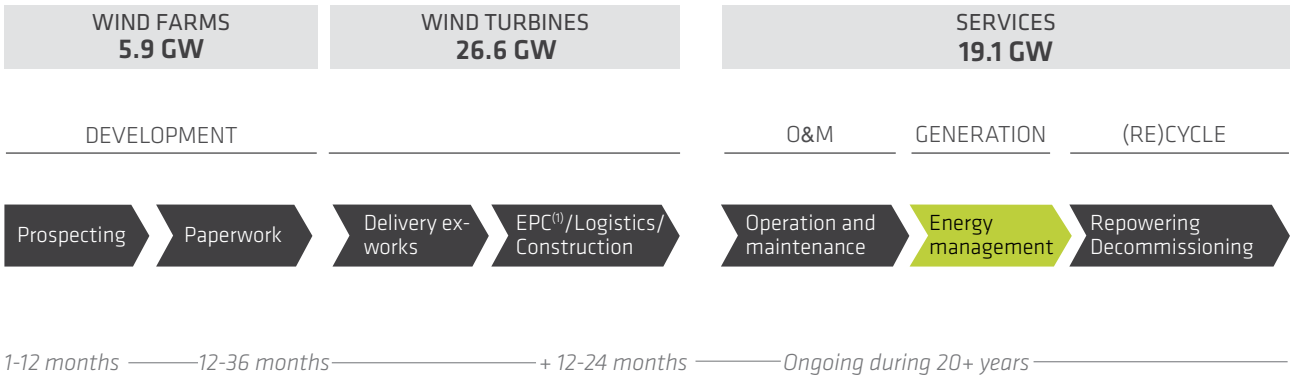
Despite the difficulties in the economy and the industry and the highly competitive market, Gamesa fulfilled its guidance in 2012 and laid the groundwork to recover profitability and create value, bolstered by the Business Plan 2013-2015 that the company presented in October.

Not only is this new strategy aimed at tackling the immediate economic situation, but it also lays the foundations for strengthening Gamesa as a leading player in the wind energy industry, through a number of strategies and actions:

- Operating excellence, to operate profitably in the short, medium and long term, without relinquishing growth opportunities, based on:
  - A variable cost optimisation programme, leveraged upon adapting capacity to demand, enhancing manufacturing processes (standardising components and new processes), a make & buy strategy, maximising the supply chain in Spain and China, and a presence in consolidated and emerging markets with growth prospects.
  - A corporate structure that is suited to the current market and in line with an efficient operating model: organisation by processes, lean and results-oriented, but without compromising on flexibility.
- Presence throughout the wind energy value chain, in order to optimise the cost of energy (CoE) through technological leadership:
  - Focusing sales efforts on key markets, tapping wind farm development as a sales channel and opening new markets and securing new customers. This is based on a new business model enabling Gamesa to develop farms while ensuring its technological role, but without consuming its own financing, using external funding vehicles and enabling it to reduce debt and improve working capital. And developing operation and maintenance (O&M) services, which are key to boosting the company's technological leadership, as the basis for growth, centred upon those segments with the greatest added value.
  - Optimising the cost of energy (CoE) through a product range focused on two new platforms, 2.5 MW and 5 MW (the latter suitable for onshore and offshore use), which will be available from mid- and late 2014, respectively, that are oriented to meeting market needs (95% of demand in the next few years).
- Solid balance sheet, reducing debt through stringent control of working capital and capital expenditure, underpinned by the new approach to wind farm development and sale. Implementation of the business plan required the company to adapt its balance sheet to the organisation's new scale, its new operating model and product strategy, as well as the market context, leading to a series of adjustments in the balance sheet that have impacted the bottom line.

  Within the strategy to dimension capital expenditure in line with the size of the business and customers' cost of energy optimisation requirements, Gamesa closed 2012 with capex amounting to 190 million euro, to adapt the manufacturing capacity to the new platforms, and to develop its industrial presence in India and Brazil.

Gamesa's presence throughout the wind value chain



(1) Engineering, procurement, construction

● Not covered by Gamesa

Performance in 2012

Gamesa's revenues in 2012 amounted to 2,844 million euro, and EBIT before extraordinary items was positive. To align the company's balance sheet with the market reality and the Business Plan, Gamesa booked 600 million euro in writedowns, with an impact on the group's net profit (-659 million euro).

Wind turbine sales (2,119 MWe) reflect more sluggish demand and the strategy to contain working capital by aligning manufacturing with deliveries and payments. Latin America and the Southern Cone (32%) is the main growth driver. The US contributed 20%; Europe and RoW 27%, and China and India 10% and 12%, respectively.

The 1,657 MW of firm orders at 2012 year-end, against a backdrop of waning demand, evidence the rewards of the commercial diversification strategy and the boost from emerging markets, and account for more than 50% of projected 2013 sales volume. Revenues at the operation and maintenance services (O&M) division were up 23% to 344 million euro, and MW under maintenance rose by 17% (19,111 MW).

Gamesa ended 2012 with a solid financial position: net interest-bearing debt of 495 million euro, after generating 690 million euro in net free cash flow in the fourth quarter and 216 million euro in the full year. Moreover, aligning the balance sheet to the market situation and the Business Plan has allowed the company to obtain a healthy equity position, which, in addition to the access to 2.2 billion euro in credit lines, ensures that the company will be able to implement its Business Plan without the need for additional funding.

Progress in strategic actions

Throughout 2012 and in early 2013, Gamesa has made headway in strategic actions aimed at recovering profitability in a context of slower growth. To streamline the operating structure, Gamesa implemented a series of cost containment measures and has attained 90% of the target set for 2013, which it expects to meet fully in the first quarter of 2013.

Gamesa continues to develop its supply chain and its internal manufacturing processes. The company is implementing a number of actions to reduce large component manufacturing and procurement costs, such as pooling technological and manufacturing know-how with strategic suppliers. At the same time, it is diversifying its supplier base.

The company has also launched new manufacturing processes with the goal of optimising costs and helping to improve the cost of energy (CoE): infusion moulding for blade production (estimated savings of 25% in 2015) has already been applied in India and is expected to be introduced in Europe in new products for delivery from 2013. A new tower design has also been devised, reducing the weight/cost by up to 10%-12% in 2015. New transport systems and tools are being developed to offset the higher logistics costs resulting from greater commercial diversification.

Progress has also been made with the measures to optimise the cost of energy (CoE) through technological leadership. In addition to the planned development of new products, in January, Gamesa signed a preliminary agreement with Impax, an infrastructure fund manager, to develop 183 MW of the wind farm pipeline in Germany under the wind farm division's new business model. Furthermore, new operation and maintenance contracts for 664 MW were signed in January.

Global presence and commercial positioning

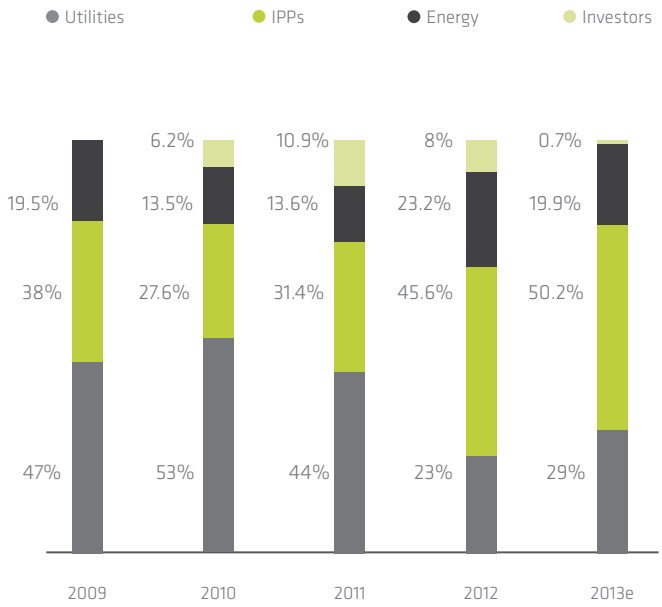
The demand outlook in 2013 remains sluggish, with a projected 12% decline in demand in the year, due mainly to the market situation in the US and China. Consequently, emerging markets are now the driver for growth in demand for wind energy facilities in the 2013-2015 period.

Of these markets, Latin American countries, most notably Brazil and Mexico, are set to play a pivotal role in the next three years in driving demand growth for wind energy facilities, with an estimated increase of 25%.

Gamesa is already in a sound position in these markets, underpinned by its local knowledge, based on local teams and supply chains, coupled with knowledge of customers' requirements and the reliability of both its products and its project execution (knowledge of grid connection requirements, administrative regulations, etc.). In 2012, Gamesa was among the leading manufacturers in Mexico, Brazil and India.

Gamesa customer profile

% of MW installed per year



08 WIND TURBINES

26,625 MW
installed (cumulative)

42 countries
worldwide

2,119 MWe
sold in 2012

2,625 MW
installed in 2012

Nineteen years' experience, in which it has installed close to 27,000 MW in over forty countries, establish Gamesa as a global technology leader in the wind industry. In 2012, the wind turbine division was affected by the complex situation in the wind industry, with falling demand and pressure on prices in the markets that have historically had the greatest potential for wind energy development. Sales amounted to 2,119 MW in 2012, i.e. 24% less than in 2011 as a result of aligning orders to demand. Nevertheless, sales diversification and a presence in emerging markets enabled the division to end the year with 22 million euro in EBIT before extraordinary items.

The decline in sales was partly offset by higher average revenues per MW as a result of the geographic mix of sales, the growing importance of the Gamesa 2 MW platform, the launch of the G97-2.0 MW platform, and growth by projects with a larger civil engineering component.

Contrasting with the slump in demand in key markets such as China and India, emerging markets became the main growth driver and will continue to drive activity in the medium term. The company's positioning in those countries is supported by three fundamental factors: local know-how, knowledge of customers' needs, and products reliability.

In 2012, the company continued to focus on strict control of capital expenditure while ensuring a return on investment and a solid balance sheet, which is one of the key points of the Business Plan. Capital expenditure amounted to 190 million euro in 2012, compared with 229 million euro in 2011:

- R&D in new products and platforms (G97–2.0 MW, G114–2.0 MW, Gamesa 4.5 MW and offshore).
- Blade plant in India for the Gamesa 850 kW and Gamesa 2 MW platforms.
- Adapting production capacity to the G97-2.0 MW.
- Investment to manufacture the Gamesa 4.5 MW platform.
- Establishment in Brazil.

Solid commercial diversification

Gamesa's geographical diversification has enabled it to maintain a significant level of activity despite the tough conditions in the economy and the industry. The company sold 2,119 MWe of wind turbines in 2012, beating its own guidance (2,000 MWe). Latin America and the Southern Cone was the region that contributed most to sales (32%), making it the main growth driver of this activity. In that region, Gamesa opened up two new markets through agreements to supply twenty-five 2.0 MW wind turbines for a wind farm being developed by Abengoa in Uruguay, and a turnkey construction, supply and commissioning contract for a 44 MW farm owned by Eolo de Nicaragua in Nicaragua.

In September, Gamesa won a contract to supply 258 MW for the 10 wind farms that Santa Vitória do Palmar Holding—comprising the Río Bravo Energía I mutual fund and Eletrosul (subsidiary of Brazilian electric utility Eletrobras)—is to develop in Río Grande do Sul State, in southern Brazil. This agreement includes the supply and installation of a total of 129 G97-2.0 MW wind turbines, as well as operation and maintenance services for 20 years. Since it entered Brazil just two years ago, Gamesa has signed agreements to supply a total of 652 MW in projects to be implemented in three of the main regions in terms of wind energy potential: Ceará, Bahía and Río Grande do Sul.

This new contract has significant implications for the company, not only because of its scale (it is one of the biggest orders in the Brazilian wind energy market) but also because it is the first contract signed with a subsidiary of Brazil's national electric utility, which accounts for 36% of the country's electric power generation and is also present in Uruguay, Peru, Nicaragua, Argentina and Venezuela.

The United States accounted for 20% of total wind turbine sales. In 2012, the company supplied its first G97-2.0 MW Class IIIA turbine to this market, at the Big Blue farm being developed by Exergy Development Group in Blue Earth, Minnesota.

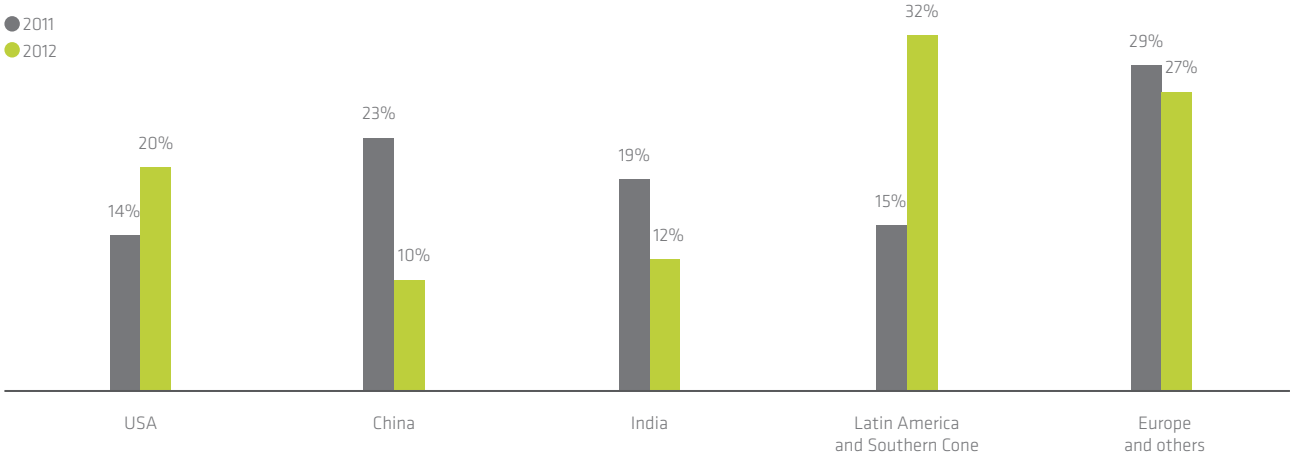
Europe and RoW contributed 27% to sales, driven mainly by deliveries in Italy and the UK in the second half. Gamesa will take part in Iberdrola's first repowering project in the UK, with the installation of ten G80-2.0 MW machines at the Carland Cross wind farm, which was commissioned in 1992. The new turbines will replace the 15 current units, with a unit capacity of 0.4 MW.

India accounted for 12% of sales in 2012, compared with 19% in 2011, due mainly to changes in energy incentives and more costly financing there. Nevertheless, Gamesa's commercial success in India is evidenced by its 10% market share last year, making it the fourth-largest manufacturer in the country. Furthermore, the prospects are very positive due to the recent extension of GBIs (Generation Based Incentives) and the increase in the feed-in tariffs, as well as the five-year plan for 2012-2017, which envisages the installation of between 3,000 MW and 5,000 MW per year.

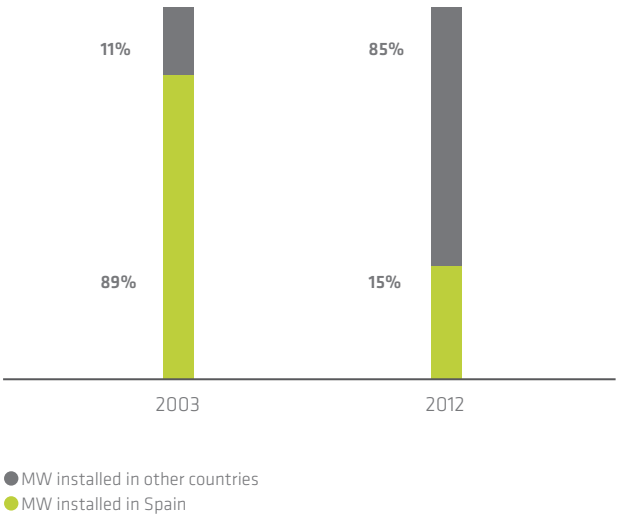
China's contribution declined significantly, and, after accounting for almost a quarter of sales in 2011 (23%), it contributed barely 10% last year as a result of grid connection problems and delays in approving wind projects.

Geographic mix of sales

Total 2011: 2,802 MWe
Total 2012: 2,119 MWe

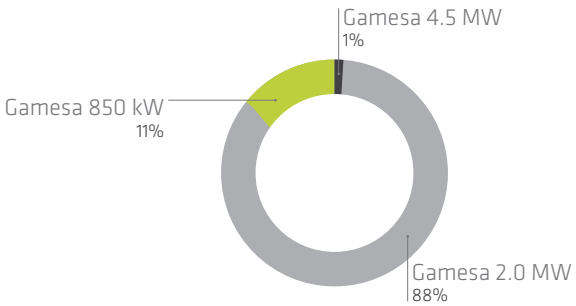


MW installed



MW sold, by platform

Total 2012: 2,119 MWe



New product strategy

For 2013, Gamesa is focusing its efforts on developing a product range confined to two platforms that respond to market needs and reduce the cost of energy. For the mainstream segment, which accounted for 88% of MWe sold by Gamesa last year, the company will evolve its 2.0 MW platform to 2.5 MW. This new platform offers double-digit increases in swept area and in annual power output, is better adapted to the grid and makes less noise, all with the goal of reducing the cost of energy by over 10%.

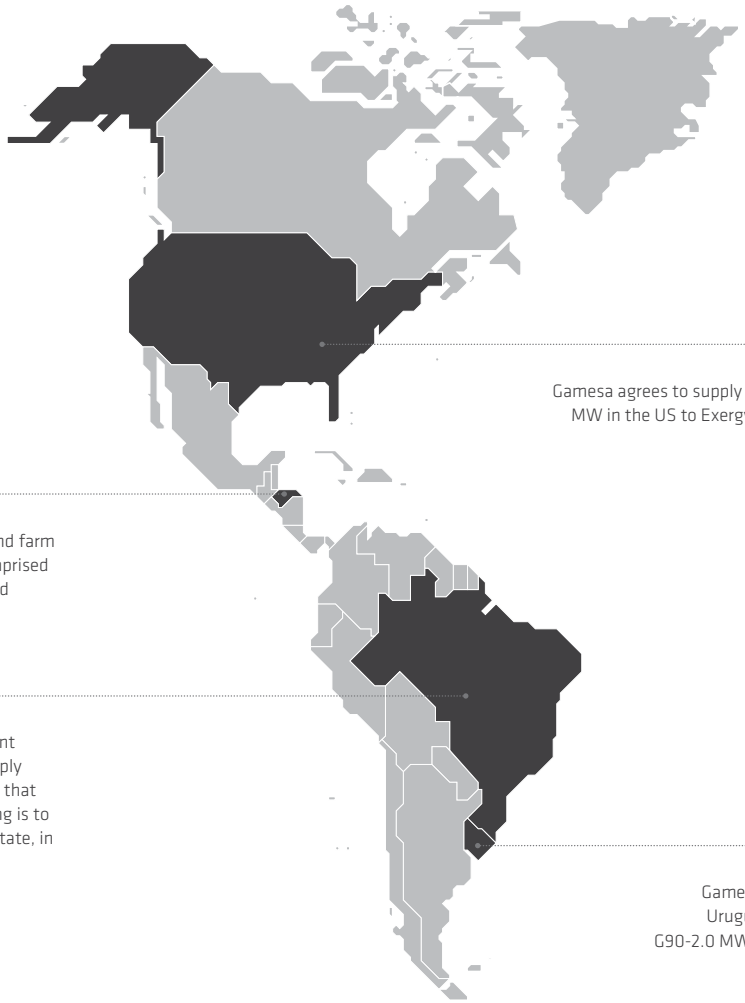
The 4.5 MW multi-megawatt platform will be ramped up to 5 MW (suitable for offshore and onshore use). This is an increasingly significant turbine, especially in mature markets, and is distinguished by its high availability, its easy transportation and compliance with the most stringent grid connection standards. Furthermore, working with a single platform for onshore and offshore will boost the company's operating experience in this segment, allowing shared and more reliable technical development. The multi-megawatt platform reduces the environmental impact of wind farms by obtaining the same capacity with fewer turbines, while also reducing civil engineering costs by between 10% and 45% per MW.

This segment will be especially significant in markets with restrictions in regard to space and with the need for very high towers for installation in forest areas. Many of these markets are also the most mature and offer repowering opportunities without grid adaptability problems.

Product strategy 2013-2015

< MW	MAINSTREAM 1-3 MW	MULTI MW
Gamesa 850 kW	*Gamesa 2.0 MW / Gamesa 2.5 MW*	*Gamesa 5.0 MW*
> Niche markets > Adverse environments > Dust/ Corrosion/Altitude > India, China, South America, North Africa	> Trending towards WTGs with more capacity and lower power density > Evolution towards CoE that is competitive with respect to traditional sources > Very good adaptation to site > Environment kit: High T/Low T/Anti-ice > Europe, North America, China, India, South America, North Africa	> Initial rationale: the offshore market is shifting rapidly towards larger capacity WTGs > Particularly for onshore markets with space restrictions/abrupt terrain and very demanding grid codes > Common elements between onshore and offshore platforms > Greater NPV for developer > Germany, UK, Sweden, Finland, South-east China

Main contracts 2012



USA
Gamesa agrees to supply its first G97-2.0 MW in the US to Exergy, in Minnesota.

HONDURAS
Inauguration of the largest wind farm in Latin America: 102 MW, comprised of 51 Gamesa G87-2.0 MW wind turbines.

BRAZIL
Gamesa strengthen its footprint in Brazil with a contract to supply 258 MW for the 10 wind farms that Santa Vitória do Palmar Holding is to develop in Río Grande do Sul State, in southern Brazil.

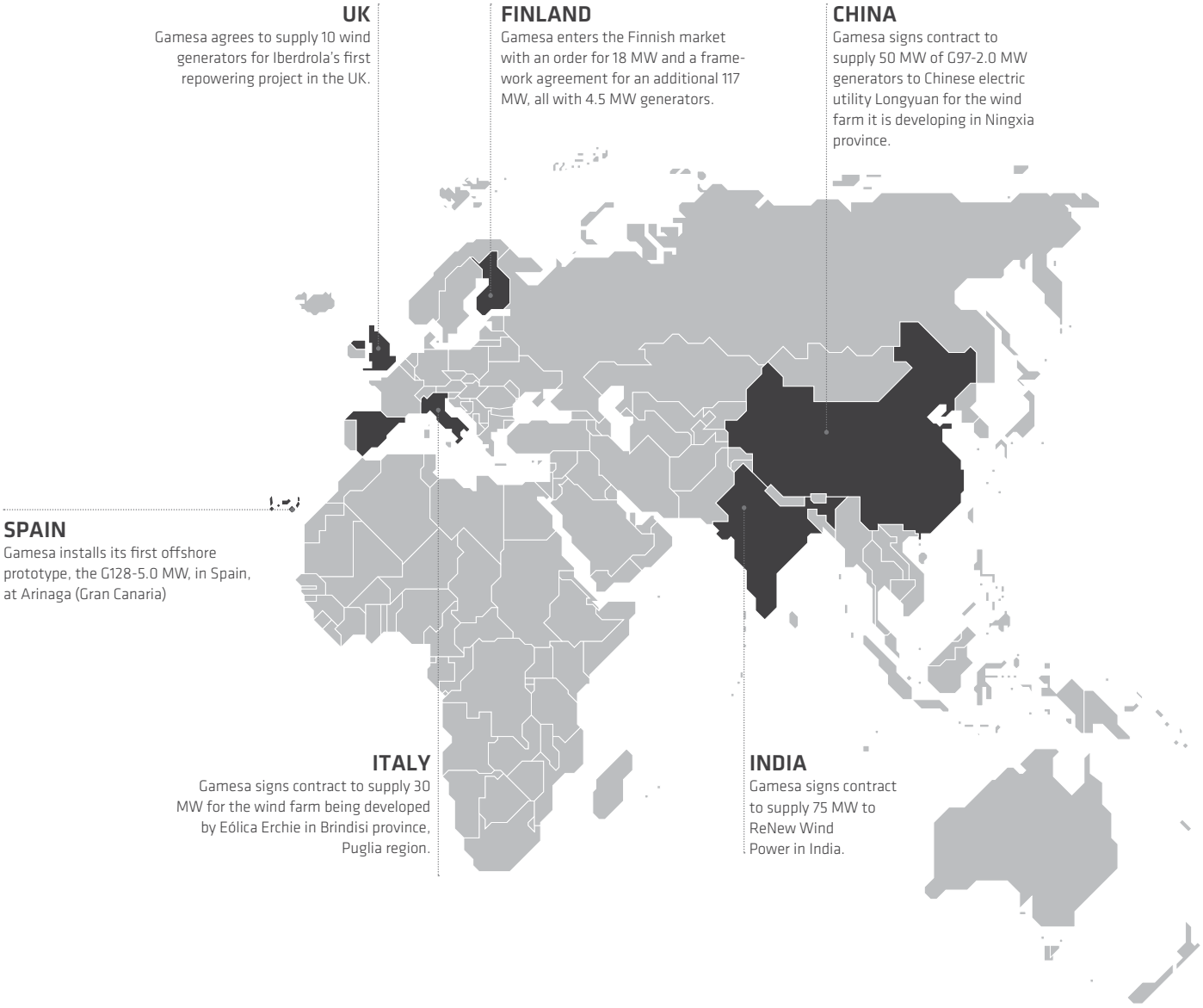
URUGUAY
Gamesa's first sale in Uruguay: 50 MW (25 G90-2.0 MW generators) to Abengoa.

Last year, Gamesa won its first contract for this multi-megawatt platform and entered a new market, Finland, after securing an order for 18 MW from TuuliWatti Ltd, a wind energy joint venture between Finnish company St1 Ltd and national retail cooperative S-Group. The agreement entails the supply, installation and commissioning of four G128 turbines, each with a unit capacity of 4.5 MW, on 140-metre towers at the Simo wind farm in northern Finland.

The supply of the turbines—specifically configured for low temperatures—is scheduled for the second quarter of 2013, and they are expected to commence operating in the fourth quarter of the year. The Simo wind farm turbines will be the largest installed in Finland to date. The farm will provide clean energy to 11,000 local households. The contract also includes a framework agreement for another 117 MW, all using 4.5 MW turbines, of which 54 MW have already materialised as firm orders for delivery in 2013-2014.

Also in the multi-megawatt segment, the platform installed in Finland (G128-4.5 MW) in 2012 became the first wind turbine generator in the world to obtain the TÜV Ecodesign certificate in accordance with ISO 14006/2011. Gamesa thereby guarantees the minimal environmental impact of this turbine throughout its life cycle: from the design of all components—a stage in which 80% of the impacts generated by a product, process or service are defined—to the selection of materials, manufacturing, packaging and distribution, installation, operation, maintenance and decommissioning.

Gamesa remains firmly committed to participating in the offshore segment, although it has adjusted capital expenditure to match market developments. The company will have a certified prototype by early 2014 and plans to develop 7/8 MW platforms in the medium-to-long term. It also remains open to partnerships with other industrial companies and investors to share financing in this segment.



Gamesa has started installing its first G128-5.0 MW offshore prototype in the port of Arinaga, in Gran Canaria (Spain), and it expects to commission it mid-2013, in order to obtain certification in the subsequent months and install the initial units in an offshore farm in 2014.

A milestone in that calendar was the independent certification of the G128-5.0 MW offshore design by DNV (Det Norske Veritas). This certification implies an important step in the certification of the offshore platform, as a guarantee for the launch, marketing and industrialisation of the company's offshore platforms in the coming years.

This offshore platform, with a 128-metre rotor and a modular, redundant design, guarantees reliability and maximises power output. The Gamesa G128-5.0 MW offshore incorporates technology that has been tried and tested by the company in its 4.5 MW platform and the expertise and experience acquired during its operation.

Aside from the development of these new platforms, the last year was also important in terms of new product launches. At EWEA 2012, held in Copenhagen (Denmark), Gamesa presented its G114 -2.0 MW Class IIIA turbine, which maximises returns in low wind sites. The turbine includes a new 114 metre rotor, with a swept area of 10,207 m², a 38% increase in the swept area and a 20% increase in the annual power output with respect to the G97-2.0 MW. Its 55.5-metre blade, aerodynamically designed with state-of-the-art technology, maximises power output while keeping noise to a minimum. The turbine has various tower heights, from 93 to 140 metres, depending on the location.

09 WIND FARM DEVELOPMENT AND SALE

18,168 MW
in pipeline

5,964 MW
developed for Gamesa

694 MW
delivered in 2012

555 MW
sale agreements in 2012

Gamesa's record as an industrial group in the renewables sector is rounded off with its presence, since 1995, in the development and sale of wind farms, a factor that distinguishes it in the market by focusing management on monetising the project pipeline while offering customers its technological expertise. Gamesa is a key player in this sector, having developed close to 6,000 MW and with a pipeline of 18,168 MW in different phases of development worldwide.

The wind farm development and sale business includes all the activities linked to wind energy generation projects, from identifying sites to obtaining the necessary permits and licences for building and commissioning the installations, through to final sale of the farm, plus operation and maintenance once in service.

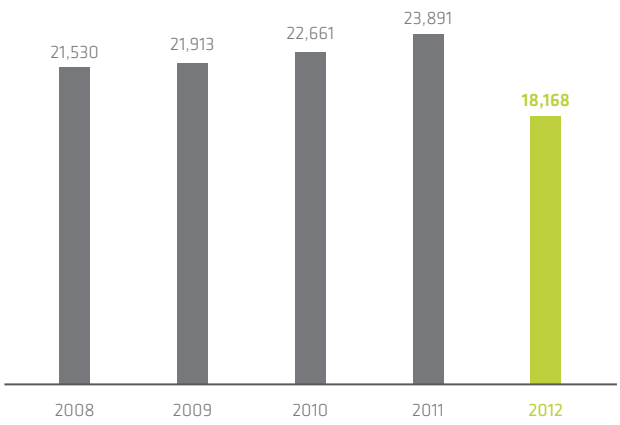
This activity is a key element in Gamesa's wind energy value chain, as it is set up as a channel for obtaining sales and securing new markets and customers. This is based on a new business model that allows the company to develop farms, guaranteeing its technological role, using external funding vehicles and without consuming its own financing.

In 2012, Gamesa's wind farm development and sale division was particularly active, having delivered 694 MW in Germany, France, Poland, Spain, the United States and Mexico. Furthermore, it signed sale agreements totalling 555 MW in the US, Mexico, France, Greece, Spain and Germany. At the end of the year, the company had 400 MW in the final phases of construction and commissioning as a result of implementing the new business model.

In 2012, Gamesa decided to discontinue its development business in the US, due to low gas prices and regulatory volatility; however, it maintains its turbine manufacture and sales activities and its operation and maintenance services there.

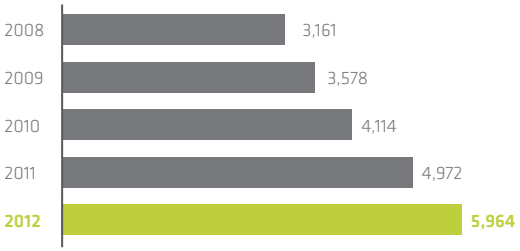
Wind farm pipeline

MW



Cumulative installed capacity

MW



New business model

Gamesa's new business model in wind farm development and sale is focused on becoming a technology partner, monetising its expertise and project pipeline and guaranteeing a sales channel, but without consuming its own financing.

The first outcome of this strategy was the preliminary agreement to sell 183 MW of wind farms in Germany to Impax Asset Management, an infrastructure fund manager. In a turnkey agreement, Gamesa develops the wind projects, handles engineering, procurement and construction, supplies and installs the turbines and takes charge of operation and maintenance services for a period of 15 years.

In 2012, through its wind farms business, Gamesa strengthened and extended its customer portfolio by reaching agreements with several investor groups: Impax and KGAL, among others.

The company reached an agreement to sell three wind farms in France and one in Germany, with a total installed capacity of 56 MW, to asset manager KGAL. It also sold two wind farms in Poland to the Polish renewables subsidiary of German group RWE. The two wind farms have a total installed capacity of 30 MW and 14 MW, respectively; this was Gamesa's third sale of a Polish wind farm to the RWE group in a year and-a-half.

During the year, Gamesa expanded in Latin America, specifically in Mexico, where it completed construction of the Bii Nee Stipa II wind farm in Oaxaca, developed for Enel Green Power. This wind farm comprises 37 G80-2.0 MW turbines and has a total installed capacity of 74 MW.

10 OPERATION AND MAINTENANCE SERVICES

19,111 MW
under maintenance

180
clients

31 countries
worldwide

344 million
sales in 2012

Operation and maintenance (O&M) rounds out Gamesa's comprehensive offering in the wind energy manufacturing business: this activity is conducted by a highly-qualified international team, which maintains more than 19,100 MW for 180 customers in 31 countries worldwide.

O&M services are a key element of Gamesa's profitable growth because of their contribution to recurrent revenues, improving margins and generating cash flow.

In 2012, Gamesa provided O&M services for 19,111 MW, i.e. 17% more than in the previous year. Revenues in the services business rose by 23% to 344 million euro.

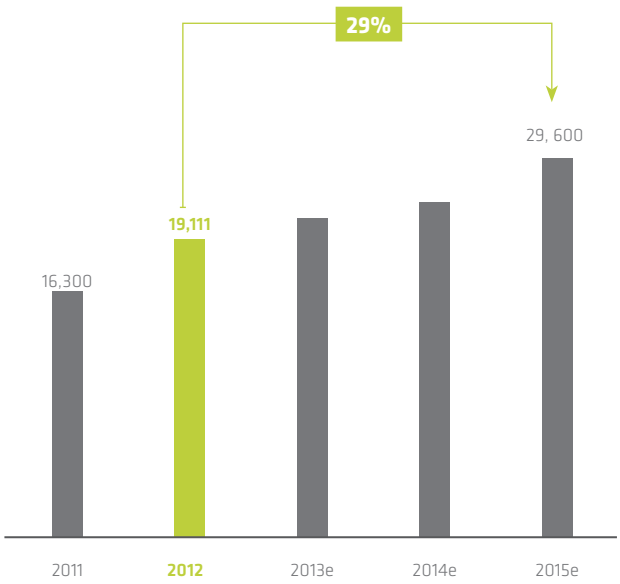
The services business is also an essential tool for value creation in the development, availability and profitability of a wind project. In this connection, Gamesa is working on value-added programmes aimed at maximising energy production, boosting wind turbine availability and reducing total operating costs, in order to optimise the cost of energy (CoE) for its customers: Gamesa's availability rate in all platforms and regions is 98%.

More than 71% of Gamesa-installed MW aged two years or more have long-term O&M contracts, evidencing the degree of customer satisfaction with this service. In 2012, the retention rate of contracts expiring in the period was 91%.

Growth levers

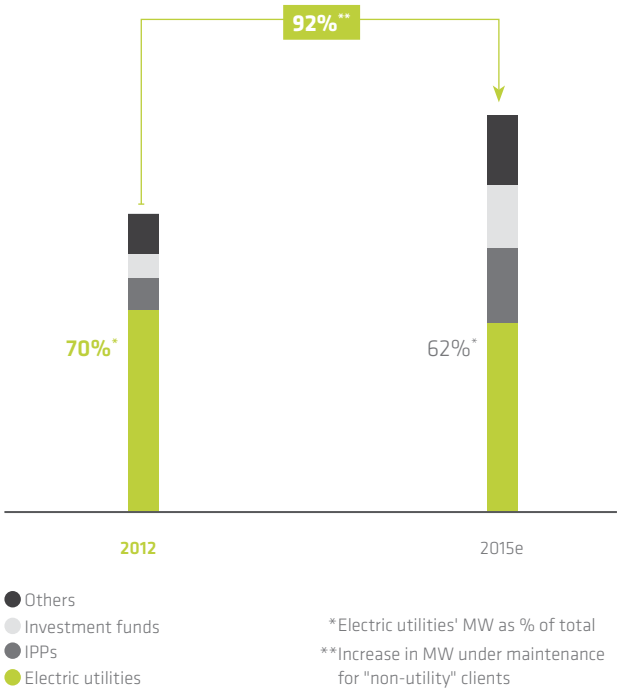
Gamesa expects strong growth in operation and maintenance services in the next few years: cumulative sales (2013-2015) will amount to 1.5 billion euro, while profitability in the business is set to double, and MW under maintenance will increase by 29%, to 24,600 MW, underpinned by technological leadership.

MW under maintenance



Diversification of the customer base

% of total MW



Backed by 19 years of experience in O&M and the optimisation of wind turbines, Gamesa offers sophisticated technological solutions. The company is working to boost the development and sale of advanced solutions, including programmes to extend useful lives and improve the power curve, repair services for technology built by other manufacturers, and the supply of spare parts and enhancement of large components, as well as arranging finance tailored to each customer's needs as part of its ongoing commitment to offer maximum added value.

In 2012, Gamesa continued to diversify its customer base, with a greater bias towards customers whose priority is technology, such as IPPs and mutual funds.

Main contracts

In 2012, Gamesa signed after-sales service contracts amounting to 698 million euro, more than doubling the previous year's figure. During the year, the company reached an agreement with Finnish company TuuliWatti to supply multi-megawatt wind turbine generators in the 4.5 MW platform, including a 10-year O&M contract with the option of a five-year extension.

In the first quarter of 2013, Gamesa continued to broaden its operating and maintenance services portfolio with agreements to maintain 664 MW. These projects include managing 264 MW over ten years at a wind farm in Virginia (US), owned by NedPower. The Mount Storm wind farm—one of the largest in operation in the eastern United States—has 132 G80-2.0 MW wind turbines, operated and maintained by Gamesa since the project came into service in 2008.

In early March, Gamesa won an O&M contract for 80 wind farms owned by Iberdrola in Spain and Portugal, with total installed capacity of 2,286 MW. The company will handle the maintenance of 1,143 Gamesa 2.0 MW wind turbines for a three-year period, with the option of a two-year extension. Iberdrola has also awarded Gamesa an O&M contract for three wind farms in Hungary, with total installed capacity of 158 MW.

11 TECHNOLOGICAL DIVERSIFICATION

Gamesa also supports businesses that offer synergies with its industrial activities

Technological diversification is a key element for Gamesa's sustainable medium and long-term growth, tapping new technologies and gaining footholds in new markets, by identifying and investing in new businesses and companies that develop proprietary technology, within the sphere of renewable energy generation, energy efficiency and others that offer synergies with the company's industrial and strategic activity.

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

The investment undertaken by the company to drive technological and industrial development has enabled it to acquire considerable expertise and competitiveness with regard to the electrical component, underpinned by the development of the wind business. This process has enabled Gamesa to make a qualitative leap in its technical and manufacturing capacities, which it is able to leverage more intensely to drive other industrial segments in which it has been working for years through subsidiary Gamesa Electric, a global standard-bearer in the design and manufacture of electric power equipment.

Gamesa Electric offers flexible 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.

In the hydroelectric sector, the company's cumulative installed capacity reached 700 MW in 2012. In the photovoltaic segment, meanwhile, Gamesa Electric has installed more than 1,500 PV central inverters since it was incorporated, 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 2012, the company developed a new 1 MW photovoltaic central inverter, set to become the global benchmark in the segment of large farms because of its more competitive cost of energy (CoE), its reliability and its compliance with the most stringent grid connection codes.

Gamesa operates in the solar energy business not only via Gamesa Electric but also through a minority stake in 9Ren, a company with proprietary technology and extensive experience with executing turnkey projects.

As part of this technological diversification strategy, Gamesa is also committed to *green* mobility and, in 2012, it began marketing its first charging stations for electric vehicles.

Through Gamesa Venture Capital, Gamesa supports the development of start-ups or growth companies that focus on high-potential renewable energy. Gamesa contributes its market position together with its technological, industrial and financial capacity and experience, thereby boosting value creation and and creating competitive advantages for enterprising ventures, with the possibility of joining the company in the medium-long term as a new business line or performing an IPO.

Leading projects

Gamesa Electric was particularly active in 2012, when it greatly increased order intake and entered new markets:

- Canada: supply of four generators for the Skookum and Jamie Creek hydro projects.
- Argentina: supply of 12 motors for the Atucha nuclear plant.
- United Kingdom: contract to supply a total of 29 PV central inverters for two photovoltaic farms.
- Nigeria: the company's first hydroelectric project in Africa, supply of 48 MW for the Kashimbila project.


Gamesa

12 SUSTAINABILITY

Gamesa offers technological solutions for the generation of clean and lasting energy which can be produced anywhere

The global economic crisis is the driver in part of rapid and far-reaching socio-economic and environmental changes in today's society. These changes also affect business activity and encourage companies to adopt sustainability as a business imperative which is closely linked to their ability to generate trust among their stakeholders. Companies are focusing their efforts not only on including sustainability in their business strategy, but also on attempting to introduce it throughout their supply chain.

Gamesa aims to lead this change, gearing the energy model towards a low-carbon, competitive economy, reducing uncertainty surrounding future energy solutions and shoring up renewable energies' credibility. To this end, the company offers technological solutions for the generation of clean, lasting energy which can be produced anywhere.

Gamesa views the challenges arising from these changes in terms of competitive advantages, leveraging its targets and 2013-2015 Business Plan, Corporate Social Responsibility (CSR) strategy and business risk control model.

Sustainability strategy

Gamesa's CSR strategy operates in conjunction with the 2013-2015 Business Plan to make CSR a foundation for boosting the company's perceived value. This strategy and its areas of action are intended to enhance the recognition of a distinctive, unique business and management model which is committed to value creation and sustainable development.

This strategy is based on three strategic priorities:

- Integrity to position Gamesa as an example of authenticity in its commitments and to achieve an exemplary framework for action that ensures consistency between the business model and management and governance practices. The goal is for Gamesa to be a company recognised by investors for having the most advanced CSR management and governance practices, through programmes associated with ethics and integrity, safeguarding the environment and climate change and transparency.

- Identity to generate a consistent framework for action that extends and standardises Gamesa's practices vis-à-vis employees and the supply chain throughout the world, through programmes linked to human rights and workplace practices, health and safety and shoring up the framework for ethical conduct across the supply chain.

- Visibility: to develop the communities in which the company operates and does business, thereby contributing to communities' prosperity.

Sustainability Strategy: Gamesa CSR Master Plan 2013-2015

Business risk control

Gamesa's policy for control and management of risks and opportunities establishes the foundation and overall context for all elements of risk control and management, providing discipline and structure for the risk management philosophy, risk identification model, evaluation, assessment and control of risks/opportunities, level of accepted risk, communication, reporting and oversight by the Board of Directors, integrity, ethical values, competencies and allocation of responsibilities

The company has a system for the control and management of risks and opportunities, which considers and groups risks into the following categories:

- Situational risks which, whether directly or indirectly, may significantly influence the company's ability to attain its objectives and strategies..

- Process risks stemming from the company's own operations. These are in turn divided into operational risks, management risks, technology/reporting process risks, integrity risks and financial risks.

- Risks arising when information used to make decisions on operational, financial and strategic matters is unreliable or incomplete.

The methodology applied takes the form of a quarterly updated corporate risk/opportunities map, while financial, fiscal, operating, strategic, legal and other risks specific to key activities, processes, projects, products and services throughout the business are monitored on a monthly and/or quarterly basis (according to whether they are classed as high or moderate risk). The Audit and Compliance Committee and Internal Audit Department (Business Risk Control) oversee internal control and risk management systems.

Awards and distinctions in 2012

- Gamesa was honoured with three awards in the III Edition of the Randstad Awards, granted by human resources consulting firm Randstad, based on a survey of 7,000 employees. Gamesa received the award in the professional development, social commitment and environment categories.

- The Cegos Prize for Teams and Talent, awarded to Gamesa University's online self-development project for its capacity for innovating, adding value and setting the company apart from market rivals.

- Dow Jones Sustainability Indexes: for the sixth consecutive year, Gamesa was listed on the Dow Jones global sustainability index, which highlights the world's leading companies in sustainability practices, based on financial, environmental and social criteria. Gamesa led the Renewable Energy Equipment ranking in the 2012 edition.

- Merco: Gamesa ranked No. 39 in this study, which is an assessment tool for corporate reputation. In addition, Gamesa ranked No. 27 among companies considered the most responsible and with the best corporate governance.

- Spain's CSR Observatory listed Gamesa among the top 10 Ibex-35 companies ith the best sustainability reporting.

Engagement and communication with stakeholders

Key issues	Key issues identified
Climate change	Development of specific policies and strategies for combating climate change. Identification of financial, regulatory and operational risks associated with climate change. Consideration of climate change as an environmental element influencing product design. Disclosure of historic CO_2 emissions trends (Scope 1 direct emissions, Scope 2 indirect emissions). Disclosure of CO_2 intensity indicators. Greenhouse gas emission reduction targets and progress on compliance. Assessment of greenhouse gas emissions across the supply chain (Scope 3 emissions). Encouraging suppliers to use best practices for combating climate change. Support and commitment for government initiatives to fight climate change.
Environment and diversity	Identification and management of environmental impacts and risks. Energy and environmental efficiency in company operations. Analysis of the environmental impact of product life cycles. In-house awareness raising and publicising of environmental issues. Encouraging best practices for environmental management across the supply chain. Biodiversity conservation policy. Risk map, identifying activities in sensitive areas. Adopting and publicly supporting international biodiversity standards. Species monitoring programmes (ecosystem impacts) (KPI). Policies for recovering and restoring damaged ecosystems.
Communities and social investment	Community relations management policies and systems. Identification and management of the social impact of company projects. Policy for contributing to local community development via social investment programmes. Promoting technology transfer in developing countries. Increasing social acceptance by raising awareness of wind energy's benefits. Promoting corporate volunteering.

Key issues	Key issues identified
Corporate governance	Formal corporate governance policy in accordance with international standards. Commitment to an independent and diverse Board of Directors. Board member compensation tied to attainment of ESG targets. Board member performance assessment. Sustainability Committee within the Board of Directors. An Investor Relations Department well versed in ESG know-how.
Ethics and integrity	Public commitments to business ethics. Adoption of ethics and integrity initiatives. Adoption of codes of conduct and compliance systems. Reporting on the degree of compliance with the code. Disclosure of significant instances of non-compliance. Enactment of policies to fight bribery and corruption. Commitment to transparency in business and government relationships. Disclosure of corporate practices involving political party donations and application of good governance principles to lobbying activities. Training and raising awareness among employees of the importance of business ethics.
Human rights	Formal human rights policies in accordance with leading international standards. Mechanisms for evaluating and managing risks associated with human rights violations (identification, assessment, reporting channels, investigation). Risk maps in keeping with prevailing standards. Indicators for monitoring compliance and performance. Encouraging employees to use best practices for safeguarding human rights. Promoting human rights in areas in which Gamesa's business can exert influence, particularly among partners and suppliers. Active participation and cooperation with governments and NGOs to promote human rights.
People	Human resources policy based on leading international standards (i.e. ILO). Diversity, inclusion and equal opportunity policy. Commitment to job stability and employability. Corporate culture and values that strengthen commitment. Competency-based career development. Policy for attracting and retaining talent. Merit-based compensation (performance assessment systems). Use of external perception metrics (reputation risk, customer satisfaction, feedback from dialogue with stakeholders and environmental metrics in company emissions reduction) as influential indicators shaping variable compensation for senior management. Commitment to freedom of association, particularly in countries in which it is prohibited by law.
Health and safety	Health and Safety policies. Identification, evaluation and mitigation of occupational health and safety risk. Appropriate mental health care (enact measures to reduce stress, introduce a flexible shift scheme, make psychological counselling available, etc.). Raise awareness and train employees in workplace health and safety. Track employee and subcontractor accident rates (KPI). Track absenteeism rates (KPI). Accident reduction targets and degree of progress.

BUSINESS ETHICS

One of Gamesa's corporate responsibility principles is to support and defend good corporate governance based on transparency and mutual trust with shareholders and investors, while rejecting all forms of corruption and respecting the rules of free competition and fair play.

Gamesa is committed to constantly improving its corporate governance practices. This priority is outlined in the Board of Director Bylaws, which stipulate that the Board of Directors is committed to assuring that it conducts business in accordance with a set of values, principles, standards and attitudes aimed at achieving sustained creation of value for shareholders, employees, customers and society as a whole.

Gamesa's governance structure is divided into two bodies: the General Shareholders Meeting and the Board of Directors.

- The General Shareholders Meeting is a gathering of shareholders who, duly convened, will decide by majority vote on matters pertaining to them. The resolutions adopted at the General Meeting are binding on all shareholders, including those who do not participate in the General Meeting or are dissident shareholders, without prejudice to their legal right to appeal.

- In turn, the Board of Directors is Gamesa's most senior representative and decision-making body, except in matters under the remit of the General Shareholders Meeting. The Board's mission is to safeguard and promote Gamesa's corporate interests and those of its shareholders, maximising the company's financial value in a sustainable manner. The Board is governed by the Board of Directors Rules.

Gamesa's chairman is also its chief executive, thus he is the company's most senior executive.

To bolster this management body's mission, the Board has an Executive Committee endowed with general decision-making powers along with two specialised committees which manage specific areas of activity with powers to report, advise, submit proposals and provide oversight and control: the Audit and Compliance Committee and the Appointments and Compensation Committee.

The Executive Committee consists of five members and supports the Board of Directors' duties and decision-making, against a backdrop of the company's growing international expansion, and has decision-making powers which enable it to adopt decisions in a rapid, efficient and expeditious manner.

Gamesa's Board of Directors is composed of widely recognised, specialised professionals. In addition, it complies with the principle of diversity, as it is made up of both men and women.

Several members of the Board of Directors stepped down in 2012. Jorge Calvet resigned as Chairman and CEO of the company in May 2012, and was replaced by Ignacio Martín. Separately, Carlos Fernández-Lerga and Benita Ferrero-Waldner (early 2013) resigned.

Compensation

The company's rules regulating compensation for members of the Board of Directors are outlined in the Bylaws and Board of Directors Regulations.

Compensation for members of Gamesa's Board of Directors consists of a fixed annual salary for their participation on the board and committees and an allowance for attending Board and committee meetings. Board members were not paid for their activity as board members in 2012, as the company did not earn a profit.

Gamesa in 2012 published its "Annual Report on 2011 Board Member Compensation", which was approved by the Board of Directors and the 2012 General Shareholders Meeting and provides a breakdown of compensation paid to each member of the Board of Directors.

The Chairman and CEO are compensated for performing their executive responsibilities, with the payment consisting of a fixed salary - at market rate and based on the principle of moderation - and variable compensation – linked to meeting targets.

Gamesa employs several protocols for identifying, avoiding and resolving potential conflicts of interest between Gamesa and its board members, executives and major shareholders. The company in 2009 published guidelines for preventing conflicts of interest and/or cases of corruption and/or bribery, and this handbook was updated in 2011.

Code of Conduct

Gamesa's Code of Conduct -- which outlines the company's values (teamwork, innovation, excellence, respect and sustainability), as well as its CSR principles – guide the conduct of the company and its employees, with the goal of cementing a universally accepted set of business ethics. To achieve this, the company uses its website and intranet and, for employees lacking access to the corporate intranet, it offers informational meetings and bulletin board announcements.

Board of Directors

Martín, Ignacio	Chairman and CEO	Executive
Arregui, Juan Luis	Deputy Chairman	External independent
Rodríguez-Quiroga, Carlos	Secretary and member	Independent
Vázquez, José María	Member	External independent
Lada, Luis	Member	External independent
Moreu, Manuel	Member	External independent
Aracama, José María	Member	External independent
Rubio, Sonsoles	Member	External proprietary
Aldecoa, José María	Member	External independent
Castresana, Ramón	Member	External proprietary

Executive Committee

Martín, Ignacio	Chairman	Executive
Arregui, Juan Luis	Member	External independent
Aldecoa, José María	Member	External independent
Lada, Luis	Member	External independent
Rubio, Sonsoles	Member	External independent
Rodríguez-Quiroga, Carlos	Non-member secretary	N/A

Audit and Compliance Committee

Vázquez, José María	Chairman	External independent
Rubio, Sonsoles	Member	External proprietary
Lada, Luis	Member	External independent
Rodríguez-Quiroga, Carlos	Non-member secretary	N/A

Compensation Committee

Aracama, José María	Chairman	External independent
Arregui, Juan Luis	Member	External independent
Castresana, Ramón	Member	External proprietary
Rodríguez-Quiroga, Carlos	Non-member secretary	N/A

SHAREHOLDERS AND INVESTORS

Gamesa devotes particular attention to the investors who have joined its business project, and one of its main priorities, in addition to maximising the creation of shareholder value, is to attain a high degree of transparency and participation in order to bolster shareholder and investor confidence.

Gamesa's commitment to its shareholders and the financial community calls for transparent, truthful and complete information that accurately reflects the company's performance.

Gamesa's main channels for communicating with shareholders include the company website, direct contact with the Investor Relations Department and Shareholder Office and the General Shareholders Meeting.

Sustainability indexes

Gamesa is listed on leading international sustainability indexes: Dow Jones Sustainability Indexes, FTSE4Good, Ethibel Excellence, CleanTech Index and Global Challenges Index, among others.

Gamesa for the sixth consecutive year was listed on the Dow Jones Sustainability Index, a global index of the world's leading companies in sustainability practices based on financial, environmental and social indicators. Additionally, the index ranked Gamesa No. 1 in the Renewable Energy Equipment industry.

Gamesa received the highest scores in its industry in all areas graded (financial, environmental and social), with especially outstanding performance in the areas of Health and Safety, the Code of Conduct, the fight against corruption and in customer relations.

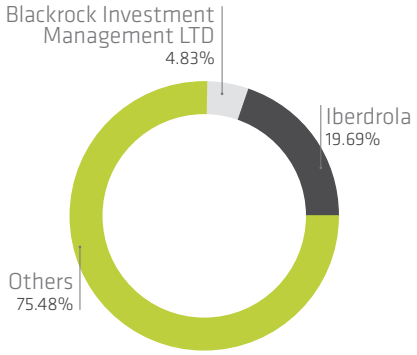
According to the Corporate Reputation Monitor (MERCO) report, Gamesa rose to No. 39 in 2012 from No. 48 in 2011. The report, which assesses companies' corporate reputations, has become a leading benchmark for reputation rankings worldwide since its launch 12 years ago. For the 2012 edition, MERCO polled approximately 1,500 company executives, 658 industry experts, news outlets and more than 3,000 members of the public. In addition to its overall score, Gamesa ranked No. 27 among the most responsible corporate citizens and companies with the best corporate governance.

Separately, Spain's Corporate Social Responsibility Observatory chose Gamesa as one of the top 10 Ibex-35 companies with the best sustainability reporting practices.

Highlights in 2012

- The company website offers a separate section for investors and shareholders which drew more than 180,000 visits in 2012.
- Earnings and corporate presentations: the company held four earnings presentations in 2012, which were followed by more than 1,200 people, in addition to a presentation of its 2013-2015 Business Plan which was attended by 54 people in person, while 299 people tuned in by webcast.
- The General Shareholders Meeting: 188 people connected via webcast, while 120 people attended in person.
- Ahead of the 2012 General Shareholders Meeting, an online shareholders' forum was provided to facilitate communication among shareholders.
- Meetings with more than 78 investment funds in leading financial centres: Madrid, Barcelona, London, Frankfurt, Zurich and New York City.
- Company executives attended conferences organised by financial research firms and held meetings with more than 43 investment funds.
- Shareholder Office: handled 560 calls.
- Shareholder Services Mailbox: more than 400 inquiries.
- Institutional Investor and Analyst Services Mailbox: more than 300 inquirie.
- In permanent contact with 30 securities market research firms.

Major shareholders 2012



CUSTOMERS

Gamesa's primary goal is to meet its customers' needs and expectations in the best, most reliable and competitive manner possible, providing them with technologies, products, services and innovative solutions that will improve their competitiveness.

To improve communication channels with and guarantee the highest quality products and services for its customers, Gamesa believes it is essential to nurture close relationships and a permanent dialogue with them. The company uses mechanisms and procedures to facilitate constant feedback from customers, extends its personalised customer service by opening new sales offices, provides information on products and addresses queries and complaints.

Gamesa conducts a customer satisfaction project (CSP) survey every two years. This personalised poll of key customers is a tool for direct communication with customers and assesses the quality of Gamesa's products and services. It assesses issues related to development phases, construction and operation of projects, generating a satisfaction index for each phase and an overview of overall perceptions of the company.

The 2012 CSP polled 44 customers in 13 countries, representing 80% of MW sales. The survey showed that Gamesa customers are satisfied, with the highest satisfaction scores reported in the construction and global areas.

Additionally, Gamesa's attendance at trade fairs and events tailored to customers nourished communication channels which strengthened trade relations.

Gamesa participated in 19 trade fairs around the world in 2012. The company also participated in conferences, offering presentations on its products, services and technological solutions. For the third consecutive year, Gamesa held product seminars with customers in the UK (Bellshill, Scotland), Italy (Rome) and India (Mumbai, Hyderabad, Indore and Chennai).

The company also makes an effort to give its customers an up-close view of Gamesa's manufacturing and technological activities through visits to its facilities. It hosted more than 50 such visits in 2012.

Other initiatives

- Improvements to a website for the exclusive use of operation and maintenance clients.
- MEGA system, a tool for comprehensive management of wind farms (hourly wind and output forecasts for wind farms in a seven-day range), which mitigates risks caused by weather changes.
- Certified courses and technical and prevention seminars provided to more than 1,800 people at Gamesa facilities.
- Marketing of 660 kW turbine life cycle extension, which guarantees 10 additional years of revenue and stabilises operating and maintenance costs.

Conclusions of the CSP 2012

Stage	Strengths	Aspects needing improvement
Promotion	Delivery deadline offered Product range	Grid codes
Construction	Compliance with assembly deadlines Compliance with ex-works delivery deadlines Level of safety and observation of safety protocols	Quality and compliance with time limits CAP-dependent termination
Operation	Quality of work when modifying design on site Quality and tasks during operation	Relationship with those responsible for maintenance
Gamesa as a company	Establishing agreements that create value for both parties Health and safety undertaking	Technology and innovation

EMPLOYEES

With a workforce of over 6,500 employees, Gamesa's human resource management model is based on respect for and compliance with universally recognised international standards governing both human rights in general as well as worker rights, and its core principles are enshrined in Gamesa's Code of Conduct and corporate social responsibility policy.

A priority of Gamesa's recruiting policy is to seek out and attract local talent. Additionally, it encourages internal mobility, fostering a global scope and knowledge transfer.

Remuneration and compensation policy

A cornerstone of efforts to link employee performance to business objectives is Gamesa's performance assessment scheme, applicable to 3,883 people:

- Gamesa Management by Objectives (GMBO) system sets yearly goals to translate company strategy into action plans as outlined in the Business Plan and annual budget. Evaluation of the results of these objectives directly impacts Gamesa's annual variable compensation scheme.

- Evaluation of performance factors measures how well an employee's performance is aligned with Gamesa's core competencies and corporate values.

Rewarding employees as a means of attracting, developing and motivating them involves a fair and competitive compensation strategy, which affords opportunity for total rewards for all employees.

Against this backdrop, the compensation system ensures that employees are paid in accordance with their professional category and market rates, which, in any event, ensures that employees are offered a fair and competitive wage.

Standard starting salaries compared with local minimum wage stand at 2x in Spain, 1.8x in the US, 2.3x in China and 1.2x in Brazil. As for India, given that the market is highly competitive, wages are set based on prevailing market rates for each market or industry and specific position.

In keeping with the company's commitment to equal opportunity and non-discrimination in HR management, the basic salary ratio between men and women is 1:1 (using the base salary as a reference and excluding additional compensation linked to seniority, social benefits or other benefits).

Social benefits

Social benefits offer employees protection and safeguard their standard of living, with varying coverage levels, products and services based on professional category. Highlights include preventive medical care and periodic health screenings and life insurance for senior management.

A flexible compensation plan (Gamesa Flex) allows management staff in Spain to adjust part of their compensation package to obtain tax savings and discounts. The latter include discounts on health insurance, rent, restaurant vouchers, IT equipment and childcare vouchers. The group of employees eligible for this plan steadily expanded in 2012.

A total of 529 employees opted for these products in 2012. Their tax savings amounted to nearly 900 euros per person.

Additional social benefits offered by Gamesa include:

- Shopping Club (Gamesa Club): a social benefits scheme for Gamesa employees, with special offers on products and services. These include discounts at banks, rental cars, hotels, gyms, etc. A total of 41 products were offered in 2012.

- Family Plan: fosters cooperation with companies that facilitate employee work-life balance, specifically in the wind farm development and sales business.

- Canteens: company-funded full or partial subsidies for catering services at some of its larger workplaces.

- Flexible work hours: flexible shift start and end times give employees better work/life balance.

- Gamesa Equity Participation Plan: Gamesa in 2011 began offering all employees the option to become Gamesa shareholders. Gamesa funded employees' share purchases up to

a maximum of 1,200 euros, with the purchase price deducted from their salaries. To thank employees for their commitment, for every two shares employees purchased they were awarded a free bonus share, as long as they remain with the company and hold their shares until the plan expires. Free shares were awarded to 2,679 participants in June 2012.

- Pension plans: Gamesa manages employees' pension plans in some countries in accordance with local law, based on salary-indexed contributions. Employees in the US can contribute to individual retirement plans via investment funds, a system which offers tax benefits. The company offers a 100-percent match of its US employees' contributions up to a maximum of 4% of their salary. All US employees have access to medical, dental and life insurance. Workers contribute 16% while Gamesa covers the remaining 84%. For other services, employees are responsible for 24% of the cost, with the remaining 76% paid by the company.

- A long-term incentive plan is designed to bolster key management's commitment and align their work with Gamesa's goals. The plan consists of a multi-year incentive scheme payable in Gamesa shares.

Labour relations

Gamesa's Code of Conduct and CSR policy mandate respect for and promotion of workers' rights, and the company guarantees freedom of association and affiliation and the right to collective bargaining. The company also advocates for a ban on forced or compulsory labour, child labour and any form of coerced labour.

Gamesa is aware of trade unions' role, not only in negotiating workplace conditions but also as key agents for influencing economic and societal conditions at the national and transnational level.

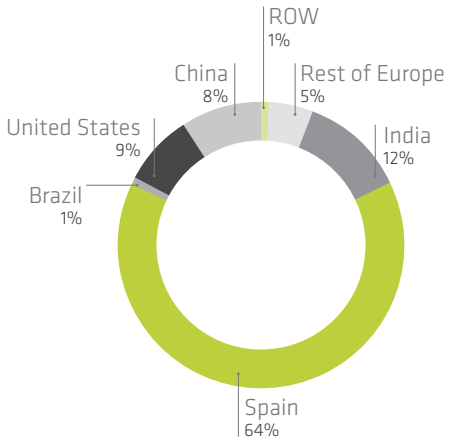
Gamesa's Spanish facilities have 37 union committees or union representatives with whom the company meets regularly. It held 147 ordinary meetings in 2012. Meanwhile, it held 65 negotiation proceedings on redundancies and personnel adjustments, and another 31 meetings for monitoring purposes.

Two union elections occurred in Spain in 2012, a collective bargaining agreement was signed at one company (Reinosa) while another was renewed (Benissanó). Moreover, Gamesa negotiated seven temporary redundancy proceedings at manufacturing plants, the cessation of operations at the Medina del Campo plant and three partial shutdowns.

In China, the Trade Union Act recognises workers' right to form trade unions and encourages employer support. The national union is currently encouraging workers to form their own unions, and Gamesa management in China supports and coordinates with the national union on all initiatives for facilitating the process. In the meantime, Gamesa has taken on the activities unions typically offer employees, including social activities, canteen services and shuttle service to the workplace.

Employees by geographical areas

Total: 6,646



Under Indian law, workers have the right to join unions. Gamesa firmly supports measures geared towards creating a positive workplace environment free of barriers between management and workers, and the company encourages all negotiation activities. Union committees are currently in place at the Indian nacelles plant.

In Brazil, a number of unions and representative bodies operate in different regions.

Training and employability

Another cornerstone of Gamesa's employee value proposition is employability: career development opportunities via training and career experience are fundamental aspects of talent management handled by the Corporate University.

The university in 2012 promoted two self-development tools for corporate employees: a library of management book summaries encompassing more than 5,000 publications, with a total of 6,147 downloads, and online language classes in seven languages at different proficiency levels. Employees logged more than 7,400 hours of language classes in 2012.

Gamesa also has a specialised training centre, Gamesa Faculty (Facultad Gamesa), in Spain, the US and China (with plans to expand soon to the UK and India), within its Corporate University. This skill-building programme is designed for customers, in-house employees and contractors. The Faculty in 2012 offered 46 courses and 157 training sessions attended by 2,097 Gamesa employees for a total of 2,400 hours. Thirteen external contractor companies received training in 2012, with 313 people attending training sessions.

The company offered a new catalogue of 535 training courses in 2012. Training is offered both in-house by company staff and outside the company at Gamesa's expense. Access is free and online through the intranet.

Gamesa also offers programmes in management skills for managers and specialists, with the methodology and level of knowledge tailored to each group in several management capabilities (training time : 9,275 hours).

The in-house career mobility programme handled 890 cases (18% more than in 2011).

Diversity and equal opportunity

Gamesa promotes equal opportunity for all individuals. Talent recruiting, development and management are steered by principles of equality, merit and skill. No one is subjected to discrimination based on gender, age, race, religion, creed or opinion.

Activities outlined in the Equality Plan negotiated in 2010 with trade unions CCOO, UGT and ELA in Spain continued in 2012, within a framework for managing the company's equal opportunity policy. Gamesa endeavours to include equal opportunity principles in key processes for managing individuals, and strives to integrate cultural values such as respect for and raising awareness of issues affecting key Gamesa stakeholder groups.

The company deploys a variety of procedures and mechanisms to detect incidents of discrimination, including the Regulatory Compliance Unit (NCU) and Harassment Prevention Committee, which monitors compliance with the Sexual Harassment Prevention Protocol, based on sex, morality and mobbing. The US unit has its own guidelines.

Among voluntary commitments in favour of diversity and equal opportunity, Gamesa has signed on to the Women's Empowerment Principles, an initiative spearheaded by the United Nations Development Fund for Women (UNIFEM) and UN Global Compact (UNGC).

Separately, in 2012 Gamesa continued working with the ONCE Foundation to raise awareness of disability issues and recruit disabled people to work at Gamesa. The collaboration agreement brings together both parties' resources, knowledge and experience and gives added impetus to projects for encouraging people with disabilities to join the workforce.

Gamesa employed an average of 23 people who had a disability equal to or greater than 33% in 2012, an increase of 21% from 2011.

Gamesa's workforce is made up of individuals of more than 50 nationalities, primarily Spanish, Indian, Chinese and US citizens, in keeping with the countries with the greatest number of Gamesa employees.

Occupational Health and Safety

Our workforce's physical health and safety is a corporate priority and is safeguarded via a range of company policies and procedures. Resources are devoted specifically to this area. A steady decrease in accident frequency and severity is the goal of all staff who manage the policy in accordance with procedures outlined in the Gamesa Management by Objectives (GMBO) system.

Gamesa in 2012 registered its lowest accident rate in history. Along with meeting the year's health and safety targets, the frequency of accidents producing absenteeism significantly decreased, dropping by 37%, while the associated accident severity rate fell by 18%.

Gamesa has a single, standardised management framework for its occupational health and safety system, in accordance with all requirements under the OHSAS 18.001 standard.

It performed 37 comprehensive audits in 2012, in addition to 1,948 training initiatives on specific health and safety issues, with a global compliance rate of 96.5%. Additionally, 100% of accidents and incidents were thoroughly investigated, paving the way for 2,553 initiatives to improve health and safety. A range of other initiatives are underway at varying stages, with a compliance rate of 88.1%.

Gamesa also conducted 18,452 safety inspections and 3,068 planned safety reviews. These efforts, along with risk advisories and audits performed in 2012, generated 4,797 new improvement actions, with 86.2% compliance.

The annual health and safety management plan – which encompasses 63 lines of work worldwide – achieved a weighted compliance rate of 89% across each of the company's operating divisions and geographic regions.

Gamesa works with the Global Wind Organization (GWO), a non-profit organisation made up of turbine manufacturers which aim to achieve an accident-free workplace. Additionally, it works with the European Agency for Safety and Health at Work (EU-OSHA) on the Healthy Workplaces programme, rolling out a pan-European campaign to promote safe maintenance, assessing and evaluating and improving a preventive culture in maintenance, raising awareness among staff and securing a commitment from employees to respect basic rules and procedures in health and safety.

Indicators of diversity

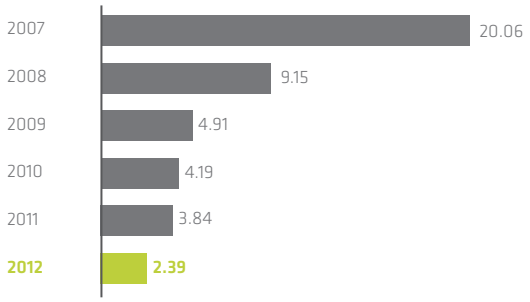
Number of employees	6,646
% international workforce	36
% women on staff	24
% permanently employed	92

Internal communication

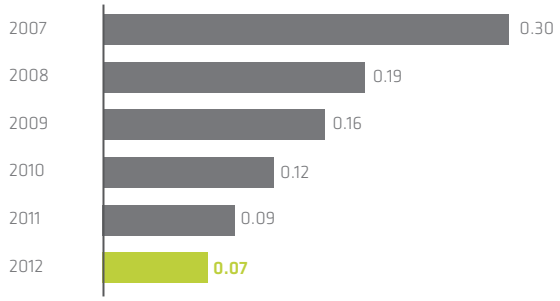
The following were the most noteworthy internal communication initiatives among Gamesa and its employees in 2012:

- Gamesa People Survey: a survey of stress levels among management staff at Gamesa Electric (108 participants).
- Gamesa intranet: 142,954 visits in 2012 (up 24%) lasting an average of 4.36 minutes and a total of 509,947 (up 18.5%) page views. The company launched its revamped corporate intranet on 27 June, inviting employees to join a contest to choose an appropriate name for the site. After staff submitted 151 proposals, "Galn" was the winning entry.
- Emails received and handled by the internal mailbox: 295 comments and/or requests.
- Gamesa Equity Participation Plan: 3,025 employees joined the scheme in 2011-2012. Since its inception, the participation rate is 39.17%. After the minimum holding period expired, the company in June 2012 awarded 2,679 free shares. The programme's mailbox, Gamesa-Equity, handled 155 queries.
- Gamesa Club: 9,286 visits to the Gamesa Club site, with 22,084 page views lasting an average of 1.44 minutes per employee.
- The Gamesa Flex Mailbox handled 1,193 issues submitted by employees.
- The Human Capital Management Mailbox received 301 queries.
- The Gamesa Employee Website became available to 2,800 employees in February 2012 following a test launch in January. The employee website allows online management of internal company paperwork in an easier, more efficient manner, generating significant savings on administrative tasks.
- Training activities: 3,752 activities in 2012 (60% in the classroom and 40% online).
- Online Language Platforms: training modules in seven languages and more than 7,400 training hours in 2012.
- Protocol for welcoming new employees.
- In-house campaign: five-minute briefings on health and safety issues in the office.

Frequency Index



Accident Severity Index



SUPPLIERS

Gamesa endeavours to forge relationships with suppliers, contractors and partners which are based on trust, information transparency and shared know-how, experience and skills.

To this end, it advocates impartial and objective hiring processes. It is also committed to establishing suitable channels for collecting information on the ethical conduct of its suppliers, contractors and partners, ensuring that it will take any measures necessary in the event that said conduct violates the values and principles contained in the Code of Conduct.

Thanks to its presence on several continents, the company continued to cultivate its global supply chain in 2012. It worked with suppliers to achieve the best possible quality performance, significantly reduce response times and permanently curtail the cost of components and services.

Cultivating suppliers

The company's procurements from suppliers worldwide totalled approximately 1.8 billion euros in 2012. Gamesa contributes to wealth generation and local economic stability in the areas in which it conducts its manufacturing activities. Additionally, it allocates company resources to suppliers' facilities to further their technological development and competitiveness. Examples in India in 2012 included upgrades at foundries Larsen & Toubro and ST Autocast and machining companies such as Classic Tools, the latter thanks to a technology transfer deal with Spanish machining company Indae.

Gamesa continued to nurture local talent by localising its supply chains in each region. The company has thus globalised its supplier base: global suppliers with a local presence, new local suppliers and international expansion among current suppliers. Consequently, local procurement totals 79% in the United States, 98% in China, 74% in India and 52% in Brazil.

In accordance with the business plan, supply chain management plays a substantial role in lowering cost of energy (CoE), namely via efforts in technology and quality and working with each supplier. Product redesign activities are developed through workshops as part of Costwise Product Evolution and Development Critical Components programmes, in which suppliers' technical contribution is encouraged with the ultimate aim of lowering the cost of components. In addition, the company successfully completed 267 projects for generating alternative suppliers, up from 133 in 2011. Both factors helped to significantly cut costs in 2012.

Responsible supply chain

Gamesa's general procurement conditions contain explicit guidance on respect for human rights and labour practices, along with a clear stance against fraud and corruption, and the company works hard to fully implement these priorities throughout its supplier ranks. Among other requirements, the company requires a commitment from each supplier that the supplier will not employ minors, whether directly or indirectly and requires a commitment from each supplier that it will not use forced or coerced labour, punish or threaten employees, or commit discrimination of any kind.

Likewise, these conditions stipulate that the supplier must prevent any of its representatives from participating in any fraudulent activity relating to receipt of any sum of money from Gamesa or any group subsidiaries.

Gamesa regulates its trade relationships with suppliers through general procurement conditions or contracts. The degree of coverage of direct purchases and those from related suppliers which served the nacelle, blade and tower divisions in 2012 exceeded 85% of procurement volumes in all regions.

Highlights of activities with suppliers

- Event with suppliers in Tianjin (China) attended by 100 local and international suppliers.
- Suppliers' website, which offers technical product documentation and quality documentation.
- Gamesa website with general procurement conditions (GPC) and a quality handbook for suppliers.

COMMUNITY

Gamesa is determined to help improve living standards and wealth creation, both by providing its services and promoting and launching new business ventures, and by encouraging socio-economic development through non-business channels.

The following guide Gamesa's community relations strategy:

- Awareness of social change to better understand how the needs of society in general evolve and, consequently, to anticipate future needs.
- A systematic free flow of truthful information about company activities to generate a climate of trust and credibility.
- Respect for the environment, compliance with prevailing law and cooperation to preserve and improve the environment.
- Creating jobs, spearheading new competitive business developments.
- Supporting the development of disadvantaged groups and sectors.
- Contributing to strengthening society's scientific and technological capital by supporting research and promoting the use of technologies and activities that safeguard the environment.
- Collaborating with institutions as a platform for community improvement and development.
- Relations with government bodies must be guided by respect for institutions and compliance with the law.

Community action

Gamesa's impact on the communities in which it does business transcends purely business operations and entails a long-term commitment.

The company in 2012 was especially active in community relations in India, launching initiatives in the areas of health, education, the environment and infrastructure development to support the community.

Highlights of initiatives in India

- Environment: a wood recycling unit was established within the Redhills (India) nacelle factory to salvage wood and packaging materials from nacelles and other supply materials and convert them into furniture for use in schools. In total, this programme recycled 152,600 kilos of wood.
- Green Wind Turbine: As part of this campaign, the company organised a student rally to educate university students on global warming and its effects on the existence of life on the planet, encourage the cultivation of plants inside homes and discuss ways the general public can help fight global warming.
- Education: The "Inclusivity" programme in India seeks to educate children who have been excluded from mainstream schooling because they are disabled, slow learners, unable to speak the language, sick or belong to a different religion or caste. Gamesa donated 50,000 rupee to renovate a school for this purpose.
- Health and safety: a programme for schoolchildren in rural areas raised awareness of household health and safety . An interactive training programme featured safety demonstrations educating children in how to react in emergency situations.
- Infrastructure: collaboration with aid group Thane, which provided recovery assistance in the aftermath of a cyclone in Cuddalore which knocked out electricity supplies and damaged roads in the area. A team of 16 Gamesa professionals spent 10 days working to restore electricity to 10 villages in Kurinjipadi, lending their know-how and resources to the community effort.
- Volunteering: highlights of several volunteer initiatives in India included a campaign launched by Gamesa employees to distribute day planners, notebooks and books to students at village schools. The campaign donated 10,000 notebooks to 2,000 students enrolled in schools in Alangulam Taluk, in the Tirunelveli district.

In Spain, the company joined forces with Spain's ONCE Foundation to support its No Te Rindas Nunca (Never Give Up) campaign, which helps disabled young people under 30 to join the workforce. These individuals are particularly affected by

the unemployment crisis, with an employment rate 40 points lower than the average for Spanish youth.

In Mexico, the company signed a cooperation agreement with the Technology University of the Central Valleys of Oaxaca (UTVCO) for the purpose of offering scholarships for students pursuing a degree in renewable energies. The scholarships are intended to provide education and access to the job market for new industry professionals while boosting social investment and development and stimulating the local economy.

Mechanisms for dialogue

- Company website: 1,421,560 visits, with a total of 3,893,073 page views.
- News media relations: 60 press releases: 1,800 requests for information, while news media impacts totalled 33,124, of which 27,000 appeared in online media.
- Social network presence: Twitter, Facebook, LinkedIn and YouTube.
- Participation in business associations and other social organisations: membership in a total of 76 associations in 2012 (34 in Spain and 42 internationally).
- 50 environmental impact studies conducted in 2012.
- Head of the Navarra Foundation for Excellence, which promotes and publicises the culture and principles of business excellence among all Navarra organisations, both government and private.

Support for research

Gamesa supports research in the renewable energy field and has forged agreements with universities to cooperate on a variety of engineering projects.

- Universidad Politécnica del País Vasco: ETSI-Bilbao. "Gamesa Classroom" for R&D on specific know-how in mechanics, electricity and automation.
- Universidad Politécnica de Navarra. ETSII. "Renewables Classroom" for R&D on electric and automatic machinery.
- Universidad Politécnica de Madrid. ETSIA and ETSII. "Gamesa Academic Chair" for R&D on aerodynamics, composite materials and power electronics for wind farms.
- Universidad de Zaragoza. "Gamesa Academic Chair" promotes R&D on new sustainable technologies.
- Strathclyde University, Glasgow, Scotland. Cooperation agreement for R&D on offshore wind energy.

Voluntary commitments

- United Nations Global Compact. Gamesa since 2005 has endorsed a commitment to and support for the 10 principles of human and labour rights, environmental protection and the fight against corruption. It publishes a Progress Report (COP) on compliance with those principles.
- Fundación Entorno. Gamesa has been a member of the Spanish Business Council for Sustainable Development, which works with business leaders to address the challenges of sustainable development and seize business opportunities arising from it.
- Women's empowerment principles. Gamesa has been a signatory since 2010 of the support statement for the "Women's Empowerment Principles" sponsored by UNIFEM and the United Nations.
- Fundación FSC-Inserta ONCE. Gamesa has worked with the ONCE Foundation since 2011 to promote social integration projects geared towards helping disabled people join the work force.

ENVIRONMENT

Health, safety and the environment are core principles of Gamesa's Code of Conduct, underscoring the company's commitment to constant improvement and cooperation to achieve sustainable development by devising and implementing best practices. Said practices are geared towards safeguarding the environment based on a preventive approach, promoting information and training in the culture of sustainability.

Gamesa works on two fronts to mitigate the environmental impacts associated with energy use:

- Minimising the negative impacts its own operations may have on the environment
- Developing products that reduce CO_2 emissions.

Against this backdrop, Gamesa's business is crucial to the fight against climate change: its more than 26,000 MW of installed wind turbines prevent atmospheric emissions totalling 40 million tonnes of CO_2 every year.

For the 2013-2015 period, the company has targeted a series of strategic goals, which in 2013 focus on the following:

- Continue implementation of an environmental management system at the turnkey construction business.
- Make progress on the rollout of EMAS rules, an environmental management system whose standards exceed those of ISO 14001.
- Identify new ways of extracting value from wastes generated by company operations and curtail associated waste management costs.
- Continue a programme to cut waste management costs by 10% from 2012 levels.
- Reduce waste disposal volumes by 10%, increasing recycling and waste value extraction.
- Make progress towards shrinking Gamesa's carbon footprint to zero, working with operating divisions to cut energy consumption and costs by mandating energy efficiency measures.
- Complete the rollout of a chemical products application (Globally Harmonised System of Classification and Labelling of Chemicals) based on a SAP system.
- Make in-house progress on ecodesign through research into the product life cycles and environmental impact statements of new multi-megawatt turbine systems.
- Improve environmental risk assessments of new processes linked to both manufacturing and erection and maintenance of new multi-megawatt machines and upgrades of existing turbines.

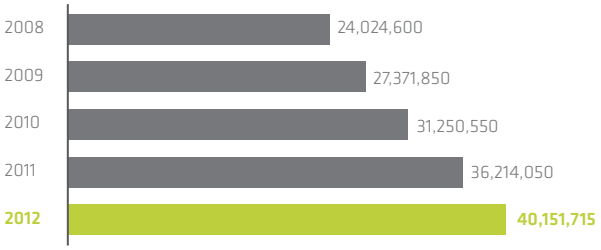
Climate change

Gamesa uses its experience and initiatives to encourage the transition to a low-carbon economy, and is tackling the challenge of maintaining competitiveness by manufacturing as efficiently as possible. The company recently signed on to several agreements, including the Carbon Price Communiqué issued by corporate climate leaders at the University of Cambridge, which follows support for the Cancun, Copenhagen and Poznan agreements signed in past years, and which strengthen the aforementioned commitment to action as part of efforts to achieve the following:

- Promote energy efficiency in all industries: including financial support and energy efficiency policies applicable to buildings, transport and industry.
- Promote low-carbon energy systems and development of infrastructure and research.
- Promote carbon capture and storage systems.
- Bolster efforts to combat emissions of other greenhouse gases including methane and nitrous oxide.

GHG emissions avoided

TCO_2 avoided per MW installed



Carbon footprint

In the course of its operations, the company is a direct consumer of energy used for materials transformation and the value chain, including assembly, heating and cooling, component curing systems and metal founding. Meanwhile, it is an indirect energy consumer via the energy used to produce and distribute the energy products Gamesa buys.

The nearly 27,000 MW installed by the company prevented the emission of more than 40 million tonnes of greenhouse gases into the atmosphere in 2012. On balance, as of 2012 the new products Gamesa has installed have prevented 82 times more greenhouse gas emissions than the emissions generated in their manufacture.

Biodiversity

The company researches the potential impacts on biodiversity of its activities, products and services. Accordingly, the projects Gamesa developed, built and operated in 2012 were assessed for their environmental impacts on their surroundings.

The company conducted 50 biodiversity studies in 2012, including environmental impact reports, research on bird and bat populations, noise and environmental monitoring studies, among others. The following are highlights of these efforts in 2012:

- Spain: brush clearing around power lines in accordance with Law 3/2007 on forest fire prevention and defence in Galicia. Monthly collision/electrocution accident surveys, seasonal review of flight interactions with power lines and towers, quarterly monitoring of bird of prey populations.

- Mexico: relocation of protected and/or ecologically significant plant life. Relocation of animal species threatened by construction work carried out at jobsites. Encouraging the proliferation of fauna associated with vegetation.

- Germany: installation of automatic ultrasound bat sensors to identify collision risk.

Ecodesign

Gamesa cemented its environmental and energy efficiency leadership by becoming the first company in the world to obtain an ecodesign certificate for a wind turbine, the Gamesa 4.5 MW. The company thereby guarantees a minimal environmental impact from this turbine throughout its useful life: design, sourcing of raw materials and components, manufacture, distribution, installation, operation and maintenance and dismantling.

The Gamesa turbine thus achieves efficiency improvements in all indicators: size, weight, visual impact, reduction of materials and choice of low-environmental-impact materials, optimised manufacture, re-useable packaging, reduction of civil engineering and installation work, noise reduction, optimising waste generation in maintenance and a modular design which facilitates dismantling.

Future areas of action will focus on integrating this methodology into the supply chain, ecodesign of new products, such as offshore systems, and introducing this methodology into the management system so that every Gamesa product and service on the market bears the ecodesign seal.

Environmental commitments

Caring for Climate: The business leadership platform, a UN Global Compact initiative which seeks to engage companies and governments in decision-making to fight climate change. The company has remained faithful to its commitments to boosting energy efficiency, cutting greenhouse gas emissions and working in conjunction with other government and private institutions.

Carbon Disclosure Project (CDP): Gamesa makes environmental information public through this non-governmental organisation which works in the realm of investors and the supply chain. CDP collects information on identified risks and opportunities associated with climate change, emissions reduction plans and transparency of corporate activities to mitigate climate change.

Prince of Wales's Corporate Leaders Group on Climate Change: The company is a signatory to the Carbon Price (2012), Cancun (2010), Copenhagen (2009) and Poznan (2008) statements on climate change within the framework of the UN Framework Convention on Climate Change (UNFCCC).


Gamesa