Gamesa Corporación Tecnológica, S.A.

Auditors' Report

Financial Statements for the year ended 31 December 2010 and Directors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

1. We have audited the financial statements of Gamesa Corporación Tecnológica, S.A. (Parent of the Group of companies called the "GAMESA GROUP" - see Note 1), which comprise the balance sheet at 31 December 2010 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2-a to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying financial statements for 2010 present fairly, in all material respects, the equity and financial position of Gamesa Corporación Tecnológica, S.A. at 31 December 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

3. The accompanying directors' report for the year ended 31 December 2010 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for the year ended 31 December 2010. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pablo Múgica
24 February 2011

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009 (Notes 1, 2 and 4)

(Thousands of euros)

ASSETS	Notes	31/12/10	31/12/09 (*)
NON-CURRENT ASSETS		300.092	299.837
Intangible assets	Note 5	22	46
Intellectual property		2	7
Computer software		20	39
Property, plant and equipment	Note 6	1.125	1.475
Other fixtures, tools and furniture		969	1.241
Other items of property, plant and equipment		156	234
Non-current investments in Group companies and associates	Note 8	204.646	196.626
Investments in Group companies and associates		204.646	196.626
Non-current financial assets	Note 8	71.234	69.053
Equity instruments		113	113
Long-term loans to third parties		70.671	68.492
Guarantees and deposits given		450	448
Deferred tax assets	Note 14	23.065	32.637
CURRENT ASSETS		303.971	290.905
Trade and other receivables		47.775	46.920
Trade receivables for sales and services		24	20
Receivable from Group companies and associates	Note 17	33.514	20.268
Accounts receivable		100	102
Other accounts receivable from public authorities	Note 14	14.137	26.530
Current investments in Group companies and associates	Note 17	249.782	243.926
Short-term loans to Group companies		249.782	243.926
Cash and cash equivalents		6.414	59
Cash		6.414	59
TOTAL ASSETS		604.063	590.742

EQUITY AND LIABILITIES	Notes	31/12/10	31/12/09 (*)
EQUITY	Note 10	512.184	463.131
SHAREHOLDERS' EQUITY-		512.182	463.129
Share capital		41.771	41.361
Share premium		155.279	155.279
Reserves		291.771	194.020
Legal and bylaw reserves		8.272	8.272
Other reserves		283.499	185.748
Treasury shares		(34.188)	(32.310)
Profit for the year		57.549	104.779
GRANTS, DONATIONS OR GIFTS AND LEGACIES RECEIVED		2	2
NON-CURRENT LIABILITIES		8.211	23.749
Long-term provisions	Note 11	465	1.882
Non-current payables		761	14.882
Bank borrowings	Note 12	-	14.882
Other financial liabilities	Note 13	761	-
Deferred tax liabilities	Note 14	6.985	6.985
CURRENT LIABILITIES		83.668	103.862
Short-term provisions	Note 11	986	914
Other provisions		986	914
Current payables	Note 12	13.309	39.901
Bank borrowings		13.309	39.901
Current payables to Group companies and associates	Note 17	59.400	54.867
Trade and other payables		9.973	8.180
Sundry accounts payable		6.100	3.497
Remuneration payable		3.027	3.144
Other accounts payable to public authorities	Note 14	846	1.539
TOTAL EQUITY AND LIABILITIES		604.063	590.742

(*) Presented for comparison purposes only.

The accompanying Notes 1 to19 are an integral part of the balance sheet at 31 December 2010.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (Notes 1, 2 and 4)

(Thousands of euros)

	Notes	2010	2009 (*)
CONTINUING OPERATIONS:			
Revenue	Notes 8 and 17	**66.332**	**108.750**
Dividends received for investments in equity instruments of Group companies and associates		60.414	101.820
Income from loans granted to Group companies and associates		5.918	6.930
Other operating income		**32.581**	**22.188**
Non-core and other current operating income	Note 16-a	32.551	22.188
Income-related grants transferred to profit or loss		30	-
Staff costs	Note 16-c	**(18.953)**	**(16.181)**
Wages, salaries and similar expenses		(16.050)	(13.477)
Employee benefit costs		(2.903)	(2.704)
Other operating expenses	Note 16-b	**(20.105)**	**(14.970)**
Outside services		(20.087)	(14.960)
Taxes other than income tax		(18)	(10)
Depreciation and amortisation charge	Notes 5 and 6	**(407)**	**(471)**
Excessive provisions	Note 11	**1.417**	**325**
PROFIT FROM OPERATIONS		**60.865**	**99.641**
Finance income	Note 8	**3.757**	**4.287**
From marketable securities and other third-party financial instruments		3.757	4.287
Finance costs		**(807)**	**(2.556)**
On debts to Group companies and associates	Note 17	(210)	(121)
On debts to third parties	Note 12	(597)	(2.435)
Exchange differences		**(178)**	**(12)**
Impairment and gains or losses on disposals of financial instruments		**(72)**	**-**
Impairment and other losses		(72)	-
FINANCIAL PROFIT		**2.700**	**1.719**
PROFIT BEFORE TAX		**63.565**	**101.360**
Income tax	Note 14	(6.016)	3.419
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**57.549**	**104.779**
PROFIT FOR THE YEAR		**57.549**	**104.779**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 19 are an integral part of the income statement for 2010.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 (Notes 1, 2 and 4)

(Thousands of euros)

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR 2010 AND 2009

	2010	2009 (*)
Profit per income statement	57.549	104.779
TOTAL RECOGNISED INCOME AND EXPENSE	**57.549**	**104.779**

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR 2010 AND 2009

	Share capital	Share premium	Revaluation reserve	Legal reserve	Reserve for redenomination of capital in euros	Voluntary reserves	Reserves for treasury shares	Treasury shares	Profit for the year	Grants, donations or gifts and legacies received	Total
BEGINNING BALANCE AT 1 JANUARY 2009 (*)	**41.361**	**155.279**	**1.139**	**8.272**	**1**	**106.277**	**30.825**	**(30.825)**	**91.459**	**2**	**403.790**
Total recognised income and expense	-	-	-	-	-	-	-	-	**104.779**	-	**104.779**
Other changes in equity:											
- Appropriation of 2008 profit:											
Voluntary reserves	-	-	-	-	-	43.395	-	-	(43.395)	-	-
Dividend out of profit	-	-	-	-	-	-	-	-	(48.064)	-	**(48.064)**
- Treasury share transactions (Note 10-c)	-	-	-	-	-	(1.485)	1.485	(1.485)	-	-	**(1.485)**
- 2009 - 2011 incentive plan (Note 10-c)	-	-	-	-	-	4.111	-	-	-	-	**4.111**
ENDING BALANCE AT 31 DECEMBER 2009	**41.361**	**155.279**	**1.139**	**8.272**	**1**	**152.298**	**32.310**	**(32.310)**	**104.779**	**2**	**463.131**
Total recognised income and expense	-	-	-	-	-	-	-	-	**57.549**	-	**57.549**
Other changes in equity:											
- Appropriation of 2009 profit:											
Voluntary reserves	-	-	-	-	-	104.779	-	-	(104.779)	-	-
- Scrip dividend and bonus issue (Note 10-a)	410	-	(410)	-	-	(9.772)	-	-	-	-	**(9.772)**
- Treasury share transactions (Note 10-c)	-	-	-	-	-	(2.039)	1.878	(1.878)	-	-	**(2.039)**
- 2009 - 2011 incentive plan (Note 10-c)	-	-	-	-	-	3.315	-	-	-	-	**3.315**
ENDING BALANCE AT 31 DECEMBER 2010	**41.771**	**155.279**	**729**	**8.272**	**1**	**248.581**	**34.188**	**(34.188)**	**57.549**	**2**	**512.184**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 19 are an integral part of the statement of changes in equity for 2010.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

STATEMENTS OF CASH FLOWS FOR 2010 AND 2009 (Notes 1, 2 and 4)

(Thousands of euros)

	Notes	2010	2009 (*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**60.628**	**76.896**
Profit for the year before tax		63.565	101.360
Adjustments for:			
- Depreciation and amortisation charge	Notes 5 and 6	407	471
- Impairment losses	Note 11	(1.345)	(325)
- Changes in provisions (incentive plan)	Notes 10 and 16-c	1.841	148
- Changes in other provisions	Note 11	72	581
- Income from loans granted to Group companies and associates	Note 17	(5.918)	(6.930)
- Income from marketable securities and other third party financial instruments	Note 8	(3.757)	(4.287)
- Finance costs	Notes 13 and 17	807	2.556
- Exchange differences		178	12
- Gains/Losses on disposal of non-current assets			-
Changes in working capital			
- Trade and other receivables		2.629	(19.243)
- Other current assets		54.239	-
- Trade and other payables		1.791	1.170
- Other current liabilities			(4.923)
Other cash flows from operating activities			
- Interest paid	Note 12	(722)	(3.135)
- Interest received		6.841	7.621
- Dividends (not received)	Note 17	(60.000)	(100.000)
- Dividends received in the year	Note 17	-	101.820
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(6.025)**	**(266)**
PROFIT/LOSS FROM OPERATIONS			
Payments due to investment			
- Group companies and associates	Note 8	(6.546)	(18)
- Other investments in non-current financial assets		(8)	-
- Investments in intangible assets and property, plant and equipment	Notes 5 and 6	(35)	(248)
Proceeds from disposal			
- Other investments in non-current financial assets		564	-
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(48.248)**	**(76.602)**
Proceeds and payments relating to equity instruments			
- Purchase of treasury shares	Note 10	(2.039)	(1.485)
Proceeds and payments relating to financial liability instruments			
- Proceeds from the issue of/(repayment of) bank borrowings and other financial liabilities	Notes 12 and 13	(40.661)	(33.304)
- Proceeds from issue of borrowings from Group companies and associates	Note 17	4.224	405
- Loans to third parties		-	5.846
Dividends and returns on other equity instruments paid			
- Dividends		(9.772)	(48.064)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)		-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**6.355**	**28**
Cash and cash equivalents at beginning of year		**59**	**31**
Cash and cash equivalents at end of year		**6.414**	**59**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 19 are an integral part of the statement of cash flows for 2010.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

Gamesa Corporación Tecnológica, S.A.

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

1. Nature and company object

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

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

a) Subscription of shares or other equity investments in unlisted companies engaging in business activities.

b) Acquisition of the shares or other equity investments mentioned in the preceding point.

c) Subscription of fixed-income securities issued by the companies in which it has ownership interests or the grant of participating and other loans to these companies for a term exceeding five years.

d) Direct provision to investees of counselling, technical assistance and other similar services related to the management of investees, to their financial structure or to their production or marketing processes.

e) Grant of participating loans for the acquisition of newly-built vessels which are intended for commercial shipping or fishing and not for sports or recreational activities or other private use in general.

All the activities which make up the aforementioned company object may be carried on in Spain or abroad, and may be carried on either directly (totally or partially) by GAMESA, through the ownership of shares or other equity investments in companies with an identical or a similar company object.

GAMESA may not carry on any business activity for which the applicable legislation provides for specific conditions or limitations unless it fully meets such conditions.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. The consolidated financial statements of Gamesa Corporación Tecnológica, S.A. and subsidiaries ("the GAMESA Group") for 2010 were formally prepared by its directors at the Board of Directors Meeting held on 23 February 2011. The consolidated financial statements for 2009 were approved by the shareholders at the Annual General Meeting of GAMESA on 28 May 2010, and were filed at the Mercantile Registry of Vizcaya.

The GAMESA Group currently operates as a manufacturing group and principal supplier of cutting-edge products, facilities and services in the renewable energy industry, structured in the following business units headed by the respective Group companies (see Notes 4-e, 8 and Appendix):

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

Information on the environment-

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

2. Basis of presentation of the financial statements

a) Regulatory financial reporting framework applicable to the Company-

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Spanish Commercial Code and all other Spanish corporate law.
- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation, in addition to the mandatory rules approved by the Spanish National Securities Market Commission.
- All other applicable Spanish accounting legislation.

b) Fair presentation-

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2010. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2009 were approved by the shareholders at the Annual General Meeting held on 28 May 2010.

c) Non-obligatory accounting principles applied-

No non-obligatory accounting principles were applied. Also, the directors formally prepared these financial statements by taking into account all the obligatory accounting principles and standards with a significant effect hereon.

All obligatory accounting principles were applied.

d) Key issues in relation to the measurement and estimation of uncertainty-

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets, such as investments in Group companies and associates (see Note 8)
- The useful life of property, plant and equipment and intangible assets (see Notes 5 and 6)
- The recoverability of the tax losses and tax credits generated by the tax group (see Note 14)
- The calculation of other provisions (see Note 11).

Although these estimates were made on the basis of the best information available at 2010 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

e) Comparative information-

On 24 September 2010, Royal Decree 1159/2010, of 17 September, was published in the Spanish Official State Gazette, which introduced certain amendments to the Spanish National Chart of Accounts approved by Royal Decree 1514/2007.

Pursuant to the transition rules established, these amendments were applied prospectively from 1 January 2010, the impact of which was not material. Similarly, in accordance with the aforementioned rules, the Company opted to present comparative information without adapting to the new rules and, accordingly, these financial statements are considered to be initial financial statements, for the purposes of consistency and comparability.

f) Correction of errors-

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2009.

3. Distribution of profit

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

	Thousands of euros
Distributable profit:	
Profit for the year	57,549
	57,549
Appropriation:	
Legal reserve	82
Voluntary reserves	55,796
Dividends	1,671
Total	**57,549**

Also, at the date of preparation of these financial statements and like in the previous year, the Company's Board of Directors resolved to propose a shareholder remuneration system at the Annual General Meeting which, if ultimately approved, would be implemented from then onwards, in the second half of 2011. Under this system, GAMESA would offer its shareholders an alternative which would enable them to receive bonus shares from the Company without limiting their possibility of receiving an equivalent amount in cash.

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

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

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

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases used by GAMESA in preparing its financial statements for 2010, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets-

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. These assets are amortised over their years of useful life (see Note 5).

a) Intellectual property:

“Intellectual Property" is charged for the amounts paid for the acquisition of title to or the right to use the related items of the Company.

b) Computer software:

The Company recognises under “Computer Software” the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over three years.

b) Impairment of intangible assets and property, plant and equipment-

At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment (for other intangible assets, property, plant and equipment or financial assets), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In the case of investments in Group companies and associates, as indicated in Note 4-e, the value in use is the present value of the future cash flows from the investment.

The recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.

Each year management prepares for each cash-generating unit a business plan by market and line of business, generally covering a period of five years. The main components of this plan are as follows:

- Earnings projections
- Investment and working capital projections

Other variables affecting the calculation of the recoverable amount are:

- The discount rate to be used, which is taken to be the weighted average cost of capital, the main variables with an effect on its calculation being borrowing costs and the risks specific to the assets. The Company uses rates of between 8% and 11% (2009: between 7% and 10%).
- The cash flow growth rate used to extrapolate the cash flow projections to beyond the period covered by the budgets or forecasts. The Company uses growth rates of between zero and 1.5%, depending on the specific asset.

The projections are prepared on the basis of past experience and of the best estimates available, which are consistent with the information obtained from external sources.

The business plans thus prepared are reviewed and ultimately approved by management of GAMESA.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use; and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income.

c) Property, plant and equipment-

Property, plant and equipment are initially recognised at acquisition or production cost (see Note 6) and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4-b.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of estimated useful life
Other fixtures and furniture	6 - 7
Tools	3 - 4
Other items of property, plant and equipment	4 - 5

At 31 December 2010, the Company did not have any land, buildings and other structures held either to earn rentals or for capital appreciation.

d) Leases-

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company only holds leases of the latter type (see Note 7).

Lease income and expenses from operating leases are recognised in income on an accrual basis.

Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

e) Financial instruments

Financial assets

Classification -

The financial assets held by the Company are classified in the following categories:

a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

b) Equity investments in Group companies and associates: Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence (see Note 8).

   GAMESA has majority ownership interests in the share capital of certain companies and has ownership interests of 20% or more in the share capital of other companies (see Note 1 and Appendix). These financial statements do not reflect the effect that would result from applying consolidation methods or the equity method, as the case may be. GAMESA, as a company whose shares are listed, prepared its consolidated financial statements for 2010 in accordance with International Financial Reporting Standards. Note 8 indicates the effect that the application of consolidation methods in accordance with International Financial Reporting Standards would have on the figures included in these financial statements.

c) Guarantees and deposits given: deposits arranged to secure compliance with the obligations assumed principally under lease contracts (see Notes 4-d and 7).

d) Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition -

Loans and receivables, equity investments in Group companies and associates and available-for-sale financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Guarantees and deposits given are initially recognised at the amount delivered.

Subsequent measurement -

Loans and receivables and guarantees and deposits given are measured at amortised cost.

Specifically, the difference between the fair value of guarantees provided for operating leases or for services and the amount paid -due, for example, to the fact that it is a long-term guarantee without remuneration- is recognised as a prepaid payment or collection for the aforementioned lease or service, which should be allocated to profit or loss over the lease term or over the period in which the service is provided, in accordance with the standard established for income from sales and services.

Investments in Group companies and associates are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement.

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net profit or loss for the year. Equity instruments whose fair value cannot be estimated reliably are measured at cost net, where appropriate, of any accumulated impairment losses. In this regard, (permanent) impairment is presumed to exist if the market value of the asset has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

The Company derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments (see Notes 12 and 13).

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

f) Transactions in currencies other than the euro-

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

g) Income tax-

Since 2002 GAMESA and certain subsidiaries located in the Basque Country subject to Álava corporation tax legislation have filed income tax returns under the special consolidated tax regime. Since 2010 and because the Company changed its registered office (see Note 1), this regime is governed by Vizcaya Corporation Tax Regulation 3/1996, of 26 July. Accordingly, GAMESA applies the criteria established in the ICAC Resolution of 9 October 1997, in order to recognise the accounting effects of the aforementioned tax consolidation (see Note 14).

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

h) Revenue and expense recognition-

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

i) Termination benefits-

Under current legislation, GAMESA is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken and communicated. In 2010 EUR 922 thousand were recognised in this connection (no amounts were recognised in 2009 – see Note 16-c).

The financial statements for the year ended 31 December 2010 do not include any provision in this connection, since no situations of this nature are expected to arise.

j) Environmental assets and liabilities-

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

k) Equity instruments and share-based payments-

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid and are deducted directly from equity. Gains and losses on the acquisition, sale, issue or retirement of treasury shares are recognised directly in equity and in no case are they recognised in profit or loss (see Note 10-c).

In connection with share-based payments, GAMESA recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature, when they are received and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments (see Note 10-c).

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. In the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, by reference to the date on which the requirements for recognition are met.

When GAMESA grants treasury shares to its subsidiaries to make payments to employees using these shares, the balancing item of the fair value of the shares delivered is considered as an increase in the value of investment that GAMESA has in the subsidiary, unless it is unlikely that it will obtain profit or economic returns as a result of the contribution, in which case it is recognised as an expense (see Notes 8 and 10-c).

l) Provisions and contingencies-

When preparing the financial statements the Company's directors made a distinction between:

a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations (see Note 11); and

b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control (see Note 11).

The financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

m) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future (see Note 17).

5. Intangible assets

The changes in "Intangible Assets" in the balance sheet in 2010 and 2009 were as follows:

2010

	Thousands of euros		
	Balance at 01/01/10	Additions/ (charge for the year)	Balance at 31/12/10
COST:			
Intellectual property	23	-	23
Computer software	580	-	580
Total cost	**603**	**-**	**603**
ACCUMULATED AMORTISATION:			
Intellectual property	(16)	(5)	(21)
Computer software	(541)	(19)	(560)
Total accumulated amortisation	**(557)**	**(24)**	**(581)**
Total, net	**46**		**22**

2009

	Thousands of euros		
	Balance at 01/01/09	Additions/ (charge for the year)	Balance at 31/12/09
COST:			
Intellectual property	23	-	23
Computer software	559	21	580
Total cost	**582**	**21**	**603**
ACCUMULATED AMORTISATION:			
Intellectual property	(11)	(5)	(16)
Computer software	(441)	(100)	(541)
Total accumulated amortisation	**(452)**	**(105)**	**(557)**
Total, net	**130**		**46**

At 31 December 2010 and 2009, the Company had fully amortised intangible assets still in use, the detail being as follows (in thousands of euros):

	Gross carrying amount	
	2010	2009
Computer software	550	441
Total fully-amortised intangible assets	**550**	**441**

6. Property, plant and equipment

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

2010

	Thousands of euros		
	Balance at 01/01/10	Additions/ (charge for the year)	Balance at 31/12/10
COST:			
Other fixtures, tools and furniture	2,007	5	2,012
Other items of property, plant and equipment	844	30	874
Total cost	**2,853**	**35**	**2,886**
ACCUMULATED DEPRECIATION:			
Other fixtures, tools and furniture	(766)	(277)	(1,043)
Other items of property, plant and equipment	(612)	(106)	(718)
Total accumulated depreciation	**(1,378)**	**(383)**	**(1,761)**
Total, net	**1,475**		**1,125**

2009

	Thousands of euros			
	Balance at 01/01/09	Additions/ (charge for the year	Reductions	Balance at 31/12/09
COST:				
Other fixtures, tools and furniture	1,974	33	-	2,007
Other items of property, plant and equipment	656	194	(4)	844
Total cost	**2,630**	**227**	**(4)**	**2,853**
ACCUMULATED DEPRECIATION:				
Other fixtures, tools and furniture	(491)	(275)	-	(766)
Other items of property, plant and equipment	(525)	(91)	4	(612)
Total accumulated depreciation	**(1,016)**	**(366)**	**4**	**(1,378)**
Total, net	**1,614**			**1,475**

As indicated in Note 10, GAMESA revaluated its property, plant and equipment in accordance with Álava Regulation 4/1997, of 7 February. The revaluation surplus amounting to approximately EUR 1,139 thousand was credited to "Equity - Revaluation Reserve" in the balance sheet, with a charge to the appropriate revalued asset accounts. Most of the revalued assets were contributed by the subsidiaries Cametor, S.L. (see Note 8) and Gamesa Industrial Automoción, S.A. in prior years.

GAMESA takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2010 and 2009 the property, plant and equipment were fully insured against these risks.

At the end of 2010 and 2009 the Company had fully depreciated items of property, plant and equipment still in use, the detail being as follows (in thousands of euros):

	Gross carrying amount	
	2010	2009
Other fixtures, tools and furniture	229	228
Other items of property, plant and equipment	513	449
Total fully-depreciated items of property, plant and equipment	**742**	**677**

At 31 December 2010, the Company had no property, plant and equipment purchase commitments.

7. Leases

At the end of 2010 and 2009 the Company had contracted with various lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, increases in the CPI or future contractual lease payment revisions:

Minimum operating lease payments	Thousands of euros	
	Nominal value	
	2010	2009
Within one year	578	483
Total	**578**	**483**

Operating lease payments recognised as an expense under "Other Operating Expenses" in the income statements for 2010 and 2009 amounted to EUR 621 thousand and EUR 424 thousand, respectively (see Note 16-b).

At 31 December 2010 and 2009, the Company had multiple lease contracts, mainly for vehicles, for scantly material amounts when considered individually.

At 31 December 2010 and 2009, the Company had recognised EUR 450 thousand and EUR 448 thousand, respectively, under "Non-Current Financial Assets – Guarantees and Deposits Given" (see Note 8) in respect of leases for buildings where GAMESA mainly carries on its business activity, which in 2009 were assumed by Gamesa Innovation & Technology, S.L., Sole-Shareholder Company (wholly owned by GAMESA).

8. Non-current financial instruments

The detail of "Non-Current Investments in Group Companies and Associates" and "Non-Current Financial Assets" at 31 December 2010 and 2009 is as follows (in thousands of euros):

2010

Classes / Categories	Non-current financial instruments		
	Equity instruments	Loans, derivatives and other	Total
Investments in Group companies and associates	204,646	-	204,646
Loans and receivables	-	70,671	70,671
Available-for-sale financial assets			
- At cost	113	-	113
Guarantees and deposits given (Note 7)	-	450	450
Total	**204,759**	**71,121**	**275,880**

2009

Classes / Categories	Non-current financial instruments		
	Equity instruments	Loans, derivatives and other	Total
Investments in Group companies and associates	196,626	-	196,626
Loans and receivables	-	68,492	68,492
Available-for-sale financial assets			
- At cost	113	-	113
Guarantees and deposits given (Note 7)	-	448	448
Total	**196,739**	**68,940**	**265,679**

Investments in Group companies and associates-

The most significant information in relation to Group companies and associates at 31 December 2010 and 2009 is as follows:

2010

Company or group of companies (Note 17 and Appendix)	% of direct ownership	% of indirect ownership	Thousands of euros						
			Carrying amount		Share capital (1)	Other equity items (1)	Dividends received (Note 17)	Profit or loss from operations (1)	Net profit or loss (1)
			Cost	Accumulated impairment losses					
Group companies:									
Gamesa Energía, S.A. (Sole-Shareholder Company) (**)	100%	-	158,368	-	35,491	460,067	60,000	73,203	59,252
Cametor, S.L. (Sole-Shareholder Company) (*)	100%	-	4,577	-	3,902	7,748	-	252	332
Gamesa Technology Corporation, Inc. (*)	100%	-	25,490	-	24,942	(90,052)	-	(2,028)	(2,222)
Gamesa Nuevos Desarrollos, S.A. (*) (Note 11)	100%	-	61	(61)	61	(968)	-	1,254	1,136
Compass Transworld Logistics, S.A. (***)	51%	-	3,524	-	6,861	1,877	414	1,340	832
Gamesa Wind Turbines PTV, Lda (**)	1%	99%	37	-	3,768	(2,033)	-	3,664	246
Associates:									
Windar Renovables, S.L. (***)	32%	-	6,104	-	9	-	-	-	-
Worldwater & Solar Technologies Inc. (*)	25%	-	2,243	-	2,309	(1,111)	-	(704)	(698)
Skybuilt Power Inc. (*)	28.75%	-	4,303	-	4,678	(1,797)	-	(375)	(529)
Total			**204,707**	**(61)**					

(1) This information refers to the respective companies' unconsolidated separate financial statements at 31 December 2010.
(*) Companies not legally obliged to audit their financial statements.
(**) Companies audited by Deloitte.
(***) Companies audited by other auditors.

2009

Company or group of companies (Note 17 and Appendix)	% of direct ownership	% of indirect ownership	Thousands of euros						
			Carrying amount		Share capital (1)	Other equity items (1)	Dividends received (Note 17)	Profit or loss from operations (1)	Net profit or loss (1)
			Cost	Accumulated impairment losses					
Group companies:									
Gamesa Energía, S.A. (Sole-Shareholder Company) (**)	100%	-	157,148	-	35,491	455,959	100,00	88,098	94,583
Cametor, S.L. (Sole-Shareholder Company) (*)	100%	-	4,577	-	3,902	7,416	-	(149)	(20)
Gamesa Technology Corporation, Inc. (*)	100%	-	25,261	-	24,942	(81,326)	-	(2,278)	(25,907)
Gamesa Nuevos Desarrollos, S.A. (*) (Note 11)	100%	-	61	(61)	61	(2,103)	-	192	116
Compass Transworld Logistics, S.A. (***)	51%	-	3,499	-	6,861	1,872	1,8	2,172	940
Gamesa Wind Turbines PTV, Lda (**)	1%	99%	37	-	3,768	(2,475)	-	(2,685)	(2,206)
Associates:									
Windar Renovables, S.L. (***)	32%	-	6,104	-	9	-	-	-	-
Total			**196,687**	**(61)**					

(1) This information refers to the respective companies' unconsolidated separate financial statements at 31 December 2009.
(*) Companies not legally obliged to audit their financial statements.
(**) Companies audited by Deloitte.
(***) Companies audited by other auditors.

The changes in the cost of investments in 2010 relate mainly to the treasury shares granted by GAMESA to its subsidiaries to make payments to employees using these instruments, in the framework of the 2009-2011 incentives plan described in Note 10-c to the financial statements. The detail of these changes is as follows (in thousands of euros):

Company or group of companies	Carrying amount		
	2009	Change (Note 10-c)	2010
Gamesa Energía, S.A. (Sole-Shareholder Company)	157,148	1,220	158,368
Gamesa Technology Corporation, Inc.	25,261	229	25,490
Compass Transworld Logistics, S.A.	3,499	25	3,524
Total	**185,908**	**1,474**	**187,382**

Other significant changes in 2010 were as follows:

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

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

The Appendix lists the subsidiaries, jointly controlled entities and associates included in the scope of consolidation of the GAMESA Group, together with information thereon.

None of the subsidiaries, jointly-controlled entities and associates of GAMESA is listed on organised markets.

Loans and receivables-

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

This interest, recognised under “Finance Income - From Marketable Securities and Other Third-Party Financial Instruments” in the income statement amounted to EUR 2,638 thousand in 2010 (2009: EUR 3,321 thousand). The Company's directors estimate that there will be no problems of collectability upon maturity of the loan.

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

Guarantees and deposits given-

Under “Guarantees and Deposits Given” the Company recognises mainly the guarantees provided to secure the leases of the buildings in which the Company carries on a portion of its administrative tasks, as described in Note 7.

Maturities-

The detail, by maturity, of the items included under "Non-Current Financial Assets" at 31 December 2010 and 2009 is as follows (in thousands of euros):

2010

	2012	2013	2014	2015 and subsequent years	Total
Loans and receivables	68,666	2,005	-	-	70,671
Guarantees and deposits given	354	1	95	-	450
Total	**69,020**	**2,006**	**95**	**-**	**71,121**

2009

	2011	2012	2013	2014 and subsequent years	Total
Loans and receivables	1,447	66,029	1,016	-	68,492
Guarantees and deposits given	289	63	1	95	448
Total	**1,736**	**66,092**	**1,017**	**95**	**68,940**

Effect of non-consolidation-

The financial statements of GAMESA are presented in compliance with current Spanish corporate law. However, GAMESA and the Group companies are managed on a consolidated basis. Consequently, the financial statements of GAMESA do not reflect the financial and equity changes that arise from the application of consolidation methods to its investments or the transactions performed by them, certain of which relate to the Group's global strategy. These changes are reflected in the consolidated financial statements of the GAMESA Group for 2010.

The main aggregates of the consolidated financial statements of GAMESA for 2010 and 2009, prepared in accordance with International Financial Reporting Standards approved by the European Union (EU-IFRSs) are as follows:

	Thousands of euros	
	2010	2009
Total assets	4,939,111	4,912,129
Equity	1,628,702	1,575,599
Of the Parent	1,623,654	1,570,538
Of non-controlling shareholders	5,048	5,061
Revenue from continuing operations	2,735,645	3,187,085
Profit/Loss for the year	50,669	114,579
Of the Parent	50,192	114,666
Of non-controlling shareholders	477	(87)

9. Information on the nature and level of risk of financial instruments

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

a) Market risk (foreign currency risk)-

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

b) Interest rate risk-

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

The GAMESA Group has arranged substantially all of its borrowings at floating rates and uses hedging instruments, where appropriate, to minimise the risk, basically when the financing is at long term with the concomitant risk.

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

c) Liquidity risk-

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

d) Credit risk-

GAMESA is exposed to credit risk to the extent that a counterparty or customer does not meet its contractual obligations. The Company assesses the customer's creditworthiness, taking into account its financial position, past experience and other factors. A substantial portion of the credit risk associated with accounts receivable is mitigated since it relates to sales to the Group (see Note 17).

10. Equity and owners' equity

a) Share capital-

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

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

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

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

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

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

After the period established to apply for remuneration and trading, on 19 July 2010 GAMESA issued a total of 2,409,913 shares, representing an increase of EUR 409,685 in the previous share capital with a charge to "Equity - Reserves - Other Reserves" (see Note 10-b). Also, for the remaining shareholders who opted to receive a cash amount as a result of the sale of the rights to GAMESA, the amount delivered was EUR 9,772 thousand (EUR 0.116 per right) with a charge to "Equity - Reserves - Other Reserves". At 31 December 2010, there were no amounts not yet paid in this connection. As a result of the aforementioned capital increase through a bonus issue, the Company was assigned at zero cost 48,249 shares (see Note 10-c) (of which 18,250 shares relate to the equity swap - see Note 12).

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

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

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

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

GAMESA has been listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, and on the Spanish Stock Market Interconnection System, since 31 October 2000.

b) Reserves-

Revaluation reserve Álava Regulation 4/1997 (see Note 6)-

The balance of the "Revaluation Reserve" account reflects the net effect of the asset revaluation approved by Álava Regulation 4/1997, of 7 February, of which GAMESA availed itself. Since the period for reviewing this account by the tax authorities has ended, this reserve can be used to offset accounting losses or to increase share capital or can be taken to restricted reserves. In 2010 the Company used EUR 410 thousand to increase share capital, pursuant to the resolution adopted by the shareholders at the Annual General Meeting, described in Note 10-a.

Share premium-

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

Legal reserve-

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

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

c) Treasury shares-

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

In 2010 GAMESA acquired 275,764 treasury shares at an average price of EUR 8.15 and sold 35,000 treasury shares at an average price of EUR 6.01, which gave rise to a loss of EUR 161 thousand, recognised in equity with a charge to "Reserves - Other Reserves". The Company did not sell or retire treasury shares in 2009.

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

	Number of shares	Thousands of euros
Balance at 1 January 2009	**2,804,498**	**(30,825)**
Additions	174,238	(1,485)
Balance at 31 December 2009	**2,978,736**	**(32,310)**
Additions	275,764	(2,249)
Allocation of scrip dividend (Note 10-a)	48,249	-
Reductions	(35,000)	371
Balance at 31 December 2010	**3,267,749**	**(34,188)**

2005-2008 share option plan

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

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

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

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

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

Since the risks inherent to fluctuations (upwards or downwards) in the market price of these treasury shares with respect to the aforementioned price per share and the economic rights (dividends) thereon remain for the account of GAMESA, this transaction is classified under “Shareholders’ Equity - Treasury Shares” in equity and under “Current Payables - Bank Borrowings" in the balance sheet (see Note 12).

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

2009-2011 Incentive Plan

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

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

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

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

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

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

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

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

As described in Note 4-k, the services provided by the Company's beneficiaries were recognised on an accrued basis by GAMESA under "Staff Costs", allocating the fair value of the equity instruments delivered over the term of the plan, which led to a charge of EUR 1,841 thousand to "Staff Costs" in the accompanying income statement for 2010 (see Note 16-c), with a credit to "Reserves - Other Reserves" in the accompanying balance sheet at 31 December 2010 (2009: EUR 1,909 thousand).

Where GAMESA has awarded equity instruments to its subsidiaries in order to make payments to beneficiaries with these instruments, it recognised a total of EUR 1,474 thousand under "Non-Current Investments in Group Companies and Associates - Investments in Group Companies and Associates" in the accompanying balance sheet at 31 December 2010 (see Note 8) with a credit to "Reserves – Other Reserves" in equity, equivalent to the services received and accrued from the beneficiaries of the subsidiaries (2009: EUR 2,202 thousand).

11. Provisions and contingencies

The detail of provisions in the balance sheet at 31 December 2010 and 2009 and the main changes in 2010 are as follows:

2010

Long-term provisions	01/01/10	Excessive provisions	31/12/10
Other long-term provisions	1,882	(1,417)	465
Total long-term provisions	**1,882**	**(1,417)**	**465**

Short-term provisions	01/01/10	Additions	31/12/10
Other short-term provisions	914	72	986
Total short-term provisions	**914**	**72**	**986**

2009

Long-term provisions	01/01/09	Excessive provisions	31/12/09
Other long-term provisions	2,207	(325)	1,882
Total long-term provisions	**2,207**	**(325)**	**1,882**

Short-term provisions	01/01/09	Additions	Amounts used for their intended purpose	31/12/09
Provisions for employee benefit obligations	4,385	148	(4,533)	-
Other short-term provisions	723	581	(390)	914
Total short-term provisions	**5,108**	**729**	**(4,923)**	**914**

"Other Long-Term Provisions includes the provisions relating to the Company's obligations to certain of its subsidiaries, mainly Gamesa Nuevos Desarrollos, S.A. (see Note 8).

12. Bank borrowings

The detail of "Bank Borrowings" at 31 December 2010 and 2009 is as follows:

2010

	Thousands of euros		
	Short term	Long term	**Total**
Equity swaps (Note 10-c)	13,272	-	13,272
Interest payable	37	-	37
Total	**13,309**	-	**13,309**

2009

	Thousands of euros		
	Short term	Long term	**Total**
Credit facilities	39,812	1,610	41,422
Equity swaps (Note 10-c)	-	13,272	13,272
Interest payable	89	-	89
Total	**39,901**	**14,882**	**54,783**

The detail of the maturities of the bank borrowings in 2009 is as follows (in thousands of euros):

	Maturity		
	2010	2011	Total
Credit facilities	39,812	1,610	41,422
Equity swaps (Note 10-c)	-	13,272	13,272
Interest payable	89	-	89
Total	**39,901**	**14,882**	**54,783**

In addition to the swap and forward transactions carried out by the Company to cover the share option plan described in Note 10-c, bank borrowings relate to credit facilities granted by various banks to the Company, which bear interest tied to Euribor plus a market spread. The interest accrued on these credit facilities in 2010 and 2009 amounted to EUR 597 thousand and EUR 2,435 thousand, respectively, and is recognised under "Finance Costs" - On Debts to Third Parties" in the income statements for 2010 and 2009, respectively.

The detail of the Company's total drawdowns and undrawn amounts at 31 December 2010 and 2009 is as follows (in thousands of euros):

2010

	Amount drawn down	Undrawn amount	**Total**
Credit facilities	-	106,005	106,005
Total	**-**	**106,005**	**106,005**

2009

	Amount drawn down	Undrawn amount	**Total**
Credit facilities	41,422	128,562	169,984
Total	**41,422**	**128,562**	**169,984**

13. Other financial liabilities

"Other Financial Liabilities" includes a loan granted by the Ministry of Industry, Tourism and Trade in 2010 to encourage competitiveness in strategic and industrial sectors amounting to EUR 761 thousand. The loan matures on 30 June 2025 and does not bear interest.

The loan will be repaid in ten payments of EUR 76 thousand, with a grace period of five years and, therefore, the first repayment will be made on 30 June 2016.

With regards to the recognition of the subsidised loan, although the financial liability should be recognised at its present value and the difference up to its repayment value as an implicit aid to be recognised as income on a systematic basis over the periods required to offset it with the related costs, it was not recognised in the aforementioned manner and, therefore, it does not include the finance cost or the implicit aid, given that the carrying amount of the aforementioned loan, which did not bear interest at 31 December 2010, reasonably reflects the amortised cost using the effective interest rate, and the difference is not material.

14. Tax matters

In 2010 the Parent relocated its registered office from Álava to Vizcaya, being therefore, the tax legislation of Vizcaya applicable in 2010 (see Note 1).

Since 2002, GAMESA and the subsidiaries which meet the applicable corporation tax regulations have filed their income tax returns under the consolidated tax regime, in the terms described in Vizcaya legislation. GAMESA is the parent of the tax group (see Note 4-g).

GAMESA is also permitted by the Provincial Government of Vizcaya to apply the special tax regime for business promotion companies pursuant to Vizcaya Corporation Tax Regulation 3/1996, of 26 June.

In previous years, GAMESA performed or participated in corporate restructuring transactions subject to the special tax neutrality regime regulated in Chapter X, Title VIII of Álava Corporation Tax Regulation 24/1996, of 5 July. The disclosures required by this Regulation are included in the respective notes to the financial statements for the years in which these transactions were executed.

In 2009, when subject to Álava tax legislation, GAMESA and its subsidiaries that met the requirements established in the applicable legislation, agreed to apply the special VAT regime described in Articles 163 et seq of Vizcaya Regulation 12/1993, of 19 January, which regulates this tax at its basic level. GAMESA is the Parent of this tax group.

Current tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Tax receivables:		
VAT refundable	13,424	25,940
Withholdings and prepayments receivable	713	590
Total	**14,137**	**26,530**
Tax payables:		
VAT payable	-	-
Withholdings payable	-	(465)
Accrued social security taxes payable	(220)	(199)
Sundry taxes payable	(626)	(875)
Total	**(846)**	**(1,539)**

Reconciliation of the accounting profit to the taxable profit-

The reconciliation of the accounting profit to the taxable profit for income tax purposes of GAMESA on an individual basis is as follows:

2010

	Thousands of euros
Accounting profit before tax	**63,565**
Plus (minus)- Temporary differences	
Long-term excessive provision (Note 11)	(1,417)
Individual taxable profit	**62,148**
Plus (minus)- Eliminations due to consolidated tax regime	
Dividends of Gamesa Energía, S.A. (Sole-Shareholder Company) (Note 17)	(60,000)
Individual taxable profit contributed to the Group	**2,148**

2009

	Thousands of euros
Accounting profit before tax	**101,360**
Plus (minus)- Permanent differences	
2009-2001 Incentive Plan (Note 10.c)	1,909
Other permanent differences	19
Plus (minus)- Temporary differences	
Long-term excessive provision (Note 11)	(325)
Individual taxable profit	**102,963**
Plus (minus)- Eliminations due to consolidated tax regime	
Dividends of Gamesa Energía, S.A. (Sole-Shareholder Company) (Note 17)	(100,000)
Individual taxable profit contributed to the Group	**2,963**

In 2010, as in prior years GAMESA received dividends from companies included in the consolidated tax Group (see Note 17). Under the individual corporation tax regime, these dividends would generate a double taxation tax credit for the full amount of the gross tax payable on their amount. However, due to taxation under the special consolidated tax regime, they must be eliminated from the taxable profit contributed by the Company to the Group.

Reconciliation of the accounting profit to the income tax expense / (income)-

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of euros	
	2010	2009
Accounting profit before tax	63,565	101,360
Effect of permanent differences	(60,000)	(98,071)
Tax charge at 28%	**998**	**920**
Tax credits	(145)	(4,339)
Adjustment for tax credits applied in 2009 calculation	5,163	-
Total income tax expense/(income)	**6,016**	**(3,419)**

With the definitive filing of the tax group's income tax return for 2009, in 2010 the Company recognised a tax expense of EUR 5,163 thousand, as a result of not taking into account non-deductible losses when calculating the previous taxable profit for income tax purposes for 2009. The adjustment did not result in any changes to the amount of income tax payable recognised at 31 December 2009.

Breakdown of the tax expense/(income)-

The breakdown of the tax income is as follows:

	Thousands of euros	
	2010	2009
Current tax:		
Continuing operations	-	-
Deferred tax:		
Continuing operations	6,016	(3,419)
Total income tax expense/(income)	**6,016**	**(3,419)**

Deferred tax assets recognised-

The detail of "Deferred Tax Assets" at 31 December 2010 and 2009 and of the changes therein in the years then ended is as follows:

2010

	Thousands of euros			
	01/01/10	Additions	Amounts used	31/12/10
Deferred tax assets	544	112	(396)	260
Tax credits recognised by the tax group	32,093	1,259	(10,547)	22,805
Total deferred tax assets	**32,637**	**1,371**	**(10,943)**	**23,065**

2009

	Thousands of euros				
	01/01/09	Additions	Transfers	Amounts used	31/12/09
Deferred tax assets	362	-	272	(90)	544
Tax credits recognised by the tax group	26,473	7,740	(272)	(1,848)	32,093
Tax loss carryforwards of the tax group	1,012	-	-	(1,012)	-
Total deferred tax assets	**27,847**	**7,740**	-	**(2,950)**	**32,637**

Effective from 1 January 2009, the deadlines to offset tax losses and certain unused tax credits established in the Álava and Vizcaya corporation tax regulations were eliminated. Consequently, the Company's tax loss and tax credit carryforwards at 1 January 2009 can be offset in consecutive years over an indefinite period of time.

At 31 December 2010, the Parent had unused tax assets amounting to EUR 4,386 thousand which, since they had been generated before the Company began filing tax returns under the special consolidated tax regime, may only be offset against GAMESA's own future taxable profit. In view of its business activities and in accordance with the principle of prudence, GAMESA did not recognise the tax effect of these tax assets, but will gradually deduct them from the income tax expense for the years in which they are effectively used.

Additionally, as the head of the tax group, GAMESA recognised under "Tax Credits Recognised by the Tax Group" tax credits unused at 31 December 2010, which had been generated by the companies of its tax group in 2010 and previous years, since it considered that there were no reasonable doubts as to their effective use in future years, and recognised the corresponding account payable to these companies (see Note 17).

Consequently, due to the tax group companies' income tax expense estimates and to the tax credits and tax assets recognised, GAMESA, as the Parent of the tax group, saw its existing account payable to the Group companies decrease by EUR 5,841 thousand (see Note 17).

Deferred tax liabilities -

The detail of "Deferred Tax Liabilities" (no changes in 2010 and 2009) is as follows:

2010

	Thousands of euros
	31/12/10
Provisions reversed	6,985
Total deferred tax liabilities	**6,985**

Years open for review and tax audits-

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2010 year-end the Company had all years since 2006 open for review for income tax and all years since 2007 for the other taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

The current legislation applicable for the settlement of income tax for 2010 and 2009 establishes, inter alia, a tax rate of 28%. This legislation has been challenged, and a decision has not yet been handed down with respect to the litigation in this connection.

On 11 September 2008, the Court of Justice of the European Union handed down a decision in relation to the request for a preliminary ruling from the Basque Country High Court by orders of September 2006. With regard to this judgment from the Court of Justice of the European Union, in December 2008 and 2009 the Basque Country High Court dismissed various appeals against Álava corporation tax legislation. However, its decision has been appealed before the Supreme Court.

GAMESA and its tax advisers calculated the amounts associated with this tax for 2010 and for the years open for review pursuant to the legislation in force at the end of each year, since they considered that the final outcome of the various court proceedings and appeals filed in this connection would not have a significant impact on the financial statements taken as a whole.

15. Guarantee commitments to third parties

GAMESA provides guarantees to its Chinese subsidiaries (indirectly wholly owned by the Company) Gamesa Blade Tianjin Co. Ltd., Gamesa Wind Beijing Co. Ltd. and Gamesa Wind Tianjin Co. Ltd. for a maximum amount of RMB 100 million.

Also, it has provided guarantees of a maximum amount of USD 360 million and EUR 345 million to its US subsidiary Gamesa Technology Corporation, Inc. (see Note 8) to enable it to arrange credit facilities and guarantees of a maximum amount of EUR 465 million to its US subsidiary Gamesa Wind US, LLC (indirectly wholly owned by the Company) to enable it to arrange factoring transactions.

On 19 December 2008, Gamesa Eólica, S.L. (Sole-Shareholder Company) (an indirectly wholly owned investee of Gamesa Corporación Tecnológica, S.A. - see Note 17) entered into a financing agreement with the European Investment Bank for a maximum of EUR 200 million, divided into two parts (EUR 140 million and EUR 60 million, respectively). Gamesa Corporación Tecnológica, S.A., together with other GAMESA Group companies directly or indirectly wholly owned by the Company, are joint and several guarantors on first demand to the European Investment Bank with respect to the repayment of the principal, interest, commissions, expenses or any other items, in the event that Gamesa Eólica, S.L. (Sole-Shareholder Company) is unable to meet the repayment thereof.

GAMESA considers that these guarantees will not give rise to any material liabilities for the Company.

16. Operating income and expenses

a) Other operating income – Non-core and other current operating income

"Other Operating Income - Non-Core and Other Current Operating Income" in the accompanying income statement for 2010 includes a balance of EUR 32,548 thousand (EUR 21,779 thousand in 2009) relating mainly to advisory services, assistance and support provided at market prices by Company management to Group companies' management and other departments, to monitor compliance with the business objectives established by the Company (see Note 17).

b) Other operating expenses

The detail of "Other Operating Expenses" in the accompanying income statements for 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Rent and royalties (Note 7)	786	650
Repairs and upkeep	1,293	935
Independent professional services	13,049	8,721
Transport costs	4	22
Insurance premiums	363	448
Bank fees	430	245
Advertising, publicity and public relations	874	877
Utilities	4	119
Other services	3,284	2,943
Taxes other than income tax	18	10
Total other operating expenses	**20,105**	**14,970**

"Independent Professional Services" includes mainly EUR 2,629 thousand (2009: EUR 489 thousand) relating to strategic consulting services, EUR 2,039 thousand (2009: EUR 1,455 thousand) for legal counselling and EUR 2,757 thousand for external advisory services relating to new models of wind generator components in 2010.

c) Staff costs-

The detail of "Staff Costs" in the accompanying income statements for 2010 and 2009 is as follows:

	Thousands of euros	
	2010	2009
Wages and salaries	11,925	8,868
Performance bonuses	1,362	2,552
2009-2011 treasury share incentive plan (Note 10-c)	1,841	1,909
Incentive Plan	-	148
Termination benefits (Note 4-i)	922	-
Employee benefit costs	1,477	1,364
Other employee benefit costs	1,426	1,340
Total staff costs	**18,953**	**16,181**

"Performance Bonuses" relates to the amount accrued in 2010 and 2009 in favour of the Company's executives and employees due to their level of attainment of the objectives established in 2010 and 2009.

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

2010

Professional category	Average number of employees		
	Men	Women	Total
Executives	28	7	**35**
Employees	42	64	**106**
Total	**70**	**71**	**141**

2009

Professional category	Average number of employees		
	Men	Women	Total
Executives	25	5	**30**
Employees	39	54	**93**
Total	**64**	**59**	**123**

At 31 December 2010, the Company had 140 employees on its payroll (31 December 2009: 132), the detail being as follows:

2010

Professional category	Number of employees		
	Men	Women	Total
Executives	29	7	**36**
Employees	39	65	**104**
Total	**68**	**72**	**140**

2009

Professional category	Number of employees		
	Men	Women	Total
Executives	28	6	**34**
Employees	39	59	**98**
Total	**67**	**65**	**132**

17. Related party transactions and balances

The balances with Group and related companies (see Notes 8 and 10 and the Appendix) at 31 December 2010 and 2009 and the transactions carried out with them in the years then ended were as follows:

2010

	Thousands of euros							
	Current receivables		Current payables					
	Receivables for various services	Short-term loans to Group companies	Income tax and VAT payable (Note 14)	Accounts payable	Current borrowings from Group companies	Other operating revenue (Note 16-a)	Revenue	Finance costs
Group companies, jointly controlled entities and associates-								
Cametor, S.L.	20,289	-	423	-	(6,613)	-	-	210
Gamesa Eólica Brasil Ltda.	-	-	-	-	-	-	-	-
Gamesa Eólica, S.L.U.	-	83,499	(39)	(1,138)	(702)	(17,207)	(1,668)	-
Gamesa Energía, S.A.U.	2,274	164,043	(36,935)	(1)	(7,232)	(4,416)	(63,295)	-
Cantarey Reinosa, S.A.U.	-	-	-	-	-	-	-	-
Gamesa Technology Corporation, Inc.	4,978	-	-	-	-	(4,963)	-	-
Gamesa Energy USA, Inc.	7	-	-	-	-	-	-	-
Gamesa Wind Turbines Pvt, Lda.	1,984	-	-	-	-	(1,985)	-	-
Gamesa Electric, S.A.	-	-	1,072	-	-	-	-	-
S.E. Almodóvar del Río, S.L.U.	-	-	-	-	-	-	(904)	-
Cantarey Reinosa, S.A.	2	-	-	-	-	-	-	-
Especial Gear Transmisión, S.A.	-	-	1,282	-	-	-	-	-
Gamesa Wind Tianjin Co. Ltd.	3,971	-	-	-	-	(3,971)	-	-
QGrid Technologies, S.L.	7	-	-	-	-	(6)	-	-
Gamesa Inversiones Energéticas Renovables, S.C.R	-	-	(603)	-	-	-	-	-
Gamesa Nuevos Desarrollos, S.A.	-	2,230	(251)	-	-	-	(51)	-
Gamesa Innovation and Technology, S.L.U.	-	10	-	(777)	10	-	-	-
Gamesa Energy Transmission, S.A.	2	-	26,388	-	-	-	-	-

	Thousands of euros							
	Current receivables		Current payables					
	Receivables for various services	Short-term loans to Group companies	Income tax and VAT payable (Note 14)	Accounts payable	Current borrowings from Group companies	Other operating revenue (Note 16-a)	Revenue	Finance costs
S.E. La Balazote, S.A.	-	-	(6)	-	-	-	-	-
S.E. Jaralon, S.A.	-	-	(83)	-	-	-	-	-
Green Field Wind Farm, LLC	-	-	(3)	-	-	-	-	-
S.E. Fonseca, S.A.	-	-	(45)	-	-	-	-	-
S.E. Alto do Seixal, S.A.	-	-	(2,381)	-	-	-	-	-
Compass Transworld Logistics, S.A.	-	-	-	-	-	-	(414)	-
Other	-	-	350	-	-	-	-	-
Related companies-								
Iberdrola, S.A. (Note 10)	-	-	-	(197)	-	-	-	-
S.E. Las Cabezas, S.A.	-	-	(283)	-	-	-	-	-
S.E. La Gomera, S.A.	-	-	(1,597)	-	-	-	-	-
S.E. La Balazote, S.A.	-	-	(747)	-	-	-	-	-
S.E. La Tallisca, S.A.	-	-	(612)	-	-	-	-	-
S.E. El Centenar, S.A.	-	-	(4,530)	-	-	-	-	-
S.E. Majal Alto, S.A.	-	-	(5,746)	-	-	-	-	-
S.E. El Saucito, S.A.	-	-	(2,972)	-	-	-	-	-
S.E. Valdefuentes, S.A.	-	-	(179)	-	-	-	-	-
S.E. Conesa II, S.A.	-	-	(2,215)	-	-	-	-	-
S.E. Savalla del Comptat, S.A.	-	-	(2,810)	-	-	-	-	-
S.E. Los Lirios, S.A.	-	-	(4,458)	-	-	-	-	-
S.E. Alto de la Abad, S.A.	-	-	(5,770)	-	-	-	-	-
	33,514	**249,782**	**(42,750)**	**(2,113)**	**(14,537)**	**(32,548)**	**(66,332)**	**210**

2009

	Thousands of euros							
	Current receivables		Current payables					
	Receivables for various services	Short-term loans to Group companies	Income tax and VAT payable (Note 14)	Accounts payable	Current borrowings from Group companies	Other operating revenue (Note 16-a)	Revenue	Finance costs
Group companies, jointly controlled entities and associates-								
Cametor, S.L.	-	-	189	-	(5,980)	-	-	121
Gamesa Eólica, S.L.U.	18,780	81,826	(39)	(1,097)	-	(16,186)	(1,634)	-
Gamesa Energía, S.A.	946	100,748	(40,050)	-	(7,232)	(3,258)	(102,383)	-
Cantarey Reinosa, S.A.U.	1	-	-	-	-	-	-	-
Gamesa Technology Corporation, Inc.	-	-	-	-	-	(2,335)	-	-
Gamesa Energy Transmission, S.A.	-	-	20,290	-	-	-	-	-
Casandra Energy USA, S.A.	7	-	-	-	-	-	-	-
Gamesa Electric, S.A.	-	-	591	(1)	-	-	-	-
Especial Gear Transmisión, S.A.	-	-	130	-	-	-	-	-
Gamesa Inversiones Energéticas Renovables, S.C.R	-	-	(561)	-	-	-	-	-
Gamesa Nuevos Desarrollos, S.A.	-	1,296	(292)	-	-	-	(30)	-
Gamesa Innovation and Technology, S.A.	534	-	-	(716)	(3)	-	-	-
Compass Transworld logistics, S.L.	-	-	-	-	-	-	(1,820)	
Sistemas Energéticos Almodóvar del Rio S.L. (Sole-Shareholder Company)	-	60,056	-	-	(701)	-	(2,883)	-
S.E. de la Camorra, S.A.	-	-	(1,152)	-	-	-	-	-
S.E. El Centenar, S.A.	-	-	(4,529)	-	-	-	-	-
S.E. Majal Alto, S.A.	-	-	(5,745)	-	-	-	-	-
S.E. El Saucito, S.A.	-	-	(2,971)	-	-	-	-	-
S.E. de Umía, S.A.	-	-	(1,236)	-	-	-	-	-
S.E. Conesa I, S.A.	-	-	(1,660)	-	-	-	-	-
Other	-	-	(2,062)	(40)	-	-	-	-
Related companies-								
Iberdrola, S.A. (Note 10)	-	-	-	-	-	-	-	-
	20,268	**243,926**	**(39,097)**	**(1,854)**	**(13,916)**	**(21,779)**	**(108,750)**	**121**

Dividend of Gamesa Energía, S.A. (Sole-Shareholder Company)

On 28 December 2010, the Company, as the sole director of Gamesa Energía, S.A., resolved to distribute an interim dividend amounting to EUR 60,000 thousand (2009: EUR 100,000 thousand), the payment of which was outstanding at 31 December 2010. The corresponding account receivable is recognised under "Current Investments in Group Companies and Associates – Short-Term Loans to Group Companies" in the accompanying balance sheet at 31 December 2010.

This heading also includes the dividend approved in 2009 and the interest earned by the Company which is tied to Euribor plus a market spread and amounts to EUR 3,295 thousand (2009: EUR 748 thousand), recognised under "Revenue – Income From Loans Granted to Group Companies and Associates" in the income statement for 2010.

Financing agreements between companies of the GAMESA Group

In 2002 Gamesa Corporación Tecnológica, S.A. entered into a loan agreement with Gamesa Eólica, S.L. (Sole-Shareholder Company). This loan earns annual interest at 2% and will be repaid after the financial debt held by Gamesa Eólica, S.L. (Sole-Shareholder Company) is settled. The amount granted at 31 December 2010 was EUR 83,499 thousand (31 December 2009: EUR 81,826 thousand) and earned interest of EUR 1,668 thousand in 2010 (2009: EUR 1,634 thousand), which is recognised under "Revenue – Income From Loans Granted to Group Companies and Associates" in the accompanying income statement for 2010.

This interest, per the agreement reached with Gamesa Eólica, S.L. (Sole-Shareholder Company), is capitalised and will be paid together with the loan principal on maturity.

Agreements between the GAMESA Group and Windar Renovables, S.L. (see Note 8)

On 25 June 2007, GAMESA (through its subsidiary Gamesa Eólica, S.L. (Sole-Shareholder Company)) entered into an agreement with Windar Renovables, S.L. (see Note 8) to supply tower sections. At the date of preparation of these financial statements, GAMESA and Windar Renovables, S.L. were negotiating the new terms and conditions of the supply agreement.

Strategic agreement with Iberdrola Renovables, S.A.

In 2009 GAMESA and Iberdrola Renovables, S.A. (a subsidiary of Iberdrola, S.A. - see Note 10-a) agreed on the definitive structure for the implementation of the strategic agreement between the two parties entered into in 2008 for the pooling of the wind farm promotion, development and operation businesses of Gamesa Energía S.A. (Sole-Shareholder Company) (see Note 8) and Iberdrola Renovables, S.A. in Spain and in certain European countries.

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

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

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

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

The sale and transfer of the businesses of Gamesa Energía, S.A. (Sole-Shareholder Company) or, where appropriate, the pooling of the businesses, shall require compliance with certain conditions, such as the obtainment of authorisation in matters of Competition Law which, as the case may be, may be required, and the obtainment of the necessary authorisation and consent from third parties.

Other agreements in force between the GAMESA Group and the Iberdrola Group

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

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

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

Remuneration and other benefits of directors and senior executives-

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

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

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

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

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

At 31 December 2010, the Board of Directors was made up of nine men and one woman.

The remuneration (salary, compensation in kind, social security contributions, etc.) relating to the senior executives of Company - excluding those who were simultaneously members of the Board of Directors (whose remuneration is detailed above) – amounted to EUR 8,109 thousand in 2010 (2009: EUR 5,088 thousand). There were 17 senior executives in 2010 (2009: 14).

No advances or loans were granted to the Company's senior executives and there are no pension obligations to them.

In 2010 GAMESA's directors changed the definition of senior executive following the adaptation of the new organisational and functional structure, thereby increasing the number of individuals included in this category.

Information regarding situations of conflict of interest involving the directors-

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

Owner	Investee	Line of business	Number of shares	Functions
Arregui Ciarsolo, Juan Luis	Iberdrola, S.A.	Electricity industry	30,284,584	None
IBERDROLA, S.A.	Iberdrola Renovables, S.A.	Electricity industry	3,379,251,920	None
	Iberdrola Generación, S.A.	Electricity industry	444,469,000	Sole director
	Iberdrola Energía, S.A.	Electricity industry	49,097,370	Sole director
	Iberdrola Ingeniería y Construcción, S.A.U.	Electricity industry	110,000	Sole director
	Scottish Power, Limited	Electricity industry	106,197,793	None
Velasco Gómez, Pedro	Iberdrola, S.A.	Electricity industry	32,324	Non-energy businesses and real estate manager
Fernández-Lerga, Carlos	Iberdrola Renovables, S.A.	Electricity industry	398	None

18. Other disclosures

a) Fees paid to auditors

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

2010

	Thousands of euros	
	Services provided by the main auditor	Services provided by other audit companies
Audit services	1,434	155
Other attest services	17	542
Total audit and related services	**1,451**	**697**
Tax counselling services	82	6
Other services	179	1,562
Total professional services	**1,712**	**2,265**

Of the amount relating to services provided by the main auditor, EUR 455 thousand relate to audit services and EUR 7 thousand relate to other attest services provided to Gamesa Corporación Tecnológica, S.A.

2009

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

Of the amount relating to services provided by the main auditor, EUR 425 thousand relate to audit services and EUR 7 thousand relate to other attest services provided to Gamesa Corporación Tecnológica, S.A.

b) Financial structure

As mentioned in Note 1, the Company is the head of the GAMESA Group. The management of the Company's financial structure is coordinated between the Company's Corporate Division and the Group's business units (see Note 9).

At 31 December 2010, as described in the GAMESA Group's consolidated financial statements (prepared in accordance with International Financial Reporting Standards approved by the European Union), the Group's equity amounted to EUR 1,628,702 thousand (31 December 2009: EUR 1,575,599 thousand) and its gross financial debt amounted to EUR 814,204 thousand (31 December 2009: EUR 1,084,477 thousand for continuing operations).

c) Disclosures on the payment periods to suppliers

In relation to the disclosures required by Additional Provision Three of Law 15/2010, of 5 July for these first financial statements prepared since the entry into force of the Law, at 31 December 2010, EUR 1,086 thousand of the balance payable to suppliers were past due by more than the maximum payment period.

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

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

19. Explanation added for translation to English

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

1. EVOLUTION OF THE COMPANY DURING THE YEAR

€ 472 MILLION OF NET FREE CASH FLOW GENERATION AND ATTAINMENT OF THE TARGETS FOR 2010 DEMONSTRATE EFFICIENT MANAGEMENT AND ALLOW GAMESA TO UNDERTAKE THE 2011- 2013 BUSINESS PLAN FROM A SOLID FINANCIAL AND OPERATIONAL POSITION

2010 Highlights – GAMESA consolidated group

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

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

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

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

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

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

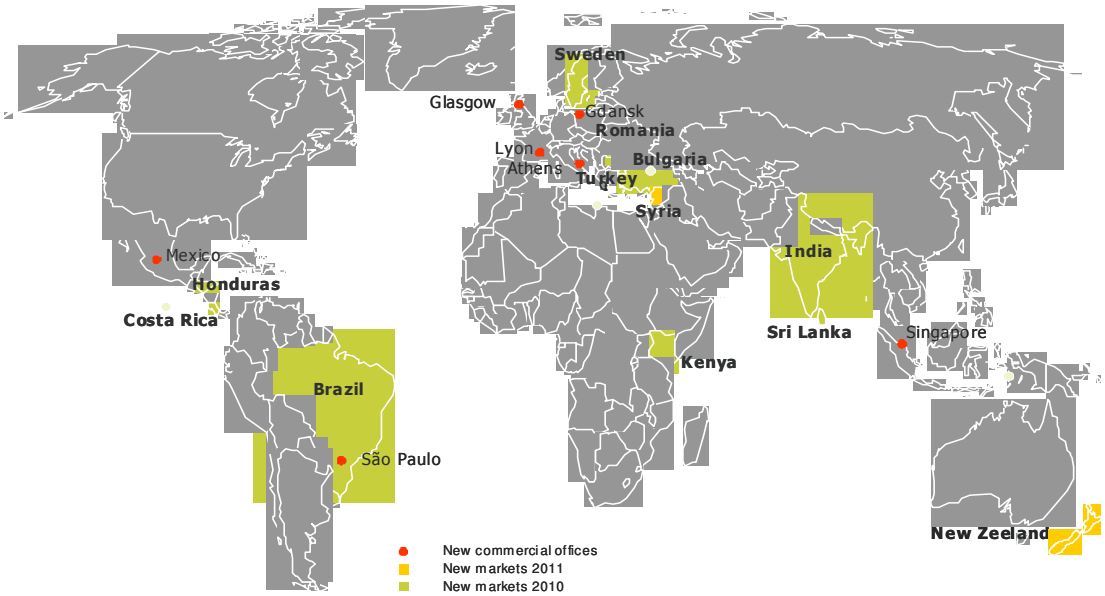
Steady progress in the commercial expansion strategy

In 2010, the Group expanded its commercial efforts into new countries and market segments, with the result that Gamesa entered **10 new countries and diversified its portfolio with more than 20 new**

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

accounts, including utilities, IPPs, financial investors and industrial groups. Notable results of the commercial strategy are the signature of contracts with two new customers (IPPs in the US and China) in the fourth quarter of the year. In the US, Gamesa signed two contracts to supply G9X-2MW wind generators to Western Wind: 120 MW for the Tehachapi Pass (California) wind farm, and 10MW for a wind farm in Kingman (Arizona). In China, the company signed a contract to supply a total of 105MW of the G58-0.85 MW model to Henan Weite.

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



Adjusting capacity to demand

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

Gamesa China completed the plan for industrialisation of the G9X-2.0MW wind turbine in 2010. Following adaptation of the Chinese plant to assemble nacelles and generators and reaching agreements with strategic partners in the region for the supply of blades and gearboxes, **Gamesa ended the year with 1,000 MW of local capacity for two product platforms: G5X–0.85 MW and G9X–2 MW**. The success of the 2MW platform is evident in the fact that this new product accounted for 56% of total sales in China in 2010. After completing industrialisation of the G9X-2MW, Gamesa began installing two new nacelle assembly plants (500 MW capacity each) in the Jilin and Inner Mongolia regions to better serve demand in those two regions; the plants will be ready in 2011.

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

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

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

Product portfolio optimisation and offshore development

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

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

Regulatory support in key markets

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

- **China**: The Chinese government is working on its next five-year energy plan (2011-2015) in which wind power will continue to be a strategic priority; a goal of 150 GW of wind capacity is being considered for 2020. The plan is expected to be published in March 2011.

- **USA**: On 16 December 2010, the period for applying for Treasury Grants under section 1603 of the American Recovery and Reinvestment Act (ARRA) was extended to December 2011. The extension will enable independent power producers that missed the first round of subsidies (Q4 2009) to develop their project portfolios. The United States has yet to draw up and approve a Federal Energy Act.

- In **Europe**, the governments of the **European Union Member States have presented their National Renewable Energy Action Plans (NREAP) to attain the 20/20/20 target**[10]. The regulatory volatility experienced in southern Europe in the second quarter of the year culminated with the approval of measures to support orderly development of renewable

[9] Total agreements signed from adoption of the strategy of joint development agreements (2009) through December 2010.

[10] 20% of power from renewable sources and a 20% reduction in greenhouse gas (GHG) emissions by 2020 with respect to 1990 levels.

energy in the short and medium term, although plans to guarantee long-term development remain to be defined.

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

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

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

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

Wind Turbines

Key factors

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

Gamesa's Wind-Turbine Unit ended 2010 with:

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

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

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

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

- **In the US, the pace of installations halved with respect to 2009** as a result of the delay in approval of a federal energy act and the low price of gas. In December 2010, the system of Treasury Grants for renewable energy projects under section 1603 of the American Recovery and Reinvestment Act was extended to December 2011.
- **Demand in Spain came to a standstill due to the entry into force of the pre-assignment register** in 2009**, the uncertainty about application of the special regime (RD 661/2007)** in 2010 **and the lack of a regulatory framework for wind projects after 2013**. As a result, the volume of installations in Spain fell 38% in 2010 with respect to 2009 (to the lowest figure since 2003).[11]
- In contrast, **installations surged strongly in such countries as China, India, Brazil and the north of Africa in 2010**.

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

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

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

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

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

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

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

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

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

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

Geographical breakdown of wind-turbine sales (MWe)	2009	%	2010	%
Spain	857	*27%*	168	*7%*
US	478	*15%*	678	*28%*
China	479	*15%*	664	*28%*
India	16	1%	196	*8%*

Rest of Europe	994	*32%*	523	*22%*
Rest of world	321	*10%*	176	*7%*
TOTAL	**3,145**		**2,405**	

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

Wind-Turbine Division Results 2010

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

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

Revenues fell by 16% in 2010 with respect to 2009. However, sales surged **9%** in the fourth quarter with respect to the same period of 2009, evidencing an **upswing in the second half of the year.** Also, the services unit maintained a steady pace of growth in 2010, booking € 312 million in revenues in 2010, up from € 225 million in 2009.

Consolidation of measures related to the PMC 500 cost improvement plan enabled the Wind-Turbine division to attain an **EBIT margin of 4.9% in 2010 despite the lower level of activity.** Gamesa reined in its cost base using programmes to reduce material costs, implementing a lean production system at the nacelle plants, improving supply chain flexibility by certifying suppliers in new markets,

and in new product platforms. However, the improvement in costs was offset by price pressure in China (which accounts for 28% of revenues) and by partial transfer to customers of the improvements in costs and productivity**.**

Warranty provisions amounted to approximately 3.5% of Wind-Turbine revenues, reflecting rapid expansion into new markets, Gamesa's sound process and product platform, and its emphasis on operational excellence.

The Wind-Turbine division's net profit has been impacted by the following non recurrent effects:

1. The impairment of property, plant and equipment of Sistemas Energéticos Almodovar del Rio SL as of 12.5 MM EUR, due to the regulatory changes in Spanish solar energy.

2. A 15 MM EUR value adjustment to the investment in the associated society Windar Renovables SL as a result of a lower activity due to a weaker demand linked to the wind regulatory uncertainty in Spain.

Gamesa ended the year with a working capital/revenues ratio of -1%, well below the 12% ratio registered in 2009, as a result of aligning production to delivery schedules, the revival in firm orders, and advance payments collected on projects under ARRA section 1603 in the US.

As a result, **the Wind-Turbine division generated € 420 million in net free cash flow in 2010 and ended the year with a net cash position of € 405 million[13] on the balance sheet.**

Gamesa continued its capex optimisation policy, keeping **capex at € 128 million**, which includes expenditure linked to building new manufacturing capacity for the G9X-2 MW in China, commencement of construction of two new plants in Inner Mongolia and Jilin, new capacity in India for the G5X turbine, and investment linked to manufacturing of the new G10X-4.5 MW wind turbine.

Wind Farms

Key Factors

The Wind-Farms division saw an upswing in earnings in 2010, with EBIT of € 10 million in 2H, providing a **net positive contribution** for the year as a whole, due to the recovery in wind-farm sales in Europe, the US and Latin America.

The **division controlled debt strictly in 2010** and was able to **maintain the debt with respect to 2009 after paying dividends to the Wind-Turbine Division and the holding company[14]**.

Gamesa's **global wind-farm pipeline (22,661 MW) at 31 December 2010** represents a competitive advantage. The company continues focusing on the development of its wind-farm pipeline with a view to advancing implementation of its value realisation plan.

Wind-Farm Development Stages (MW)	2009	2010	*% Growth*
Highly Confident	2,694	2,618	*-3%*
Total pipeline	**21,913**	**22,661**	***+3%***

[13] The net cash position of the Wind-Turbine division's balance sheet at 2010 year-end includes the payment of € 60 million from Gamesa Energía (these dividends are not included in the definition of net free cash flow).
[14] Gamesa Energía, the division that develops and sells wind farms, paid € 60 million in 2010 to Gamesa Wind Turbines & holding company.

Gamesa had **396 MW in the final phases of construction and commissioning** at 31 December 2010, proof that **that it continues advancing development of the pipeline with greatest visibility.** The company commissioned its first wind farm in the US (38 MW) after two years of inactivity, evidencing a **recovery of the wind-farm business in that country.**

Activity (MW)	2009	2010	*% Growth*
MW under Construction	187	230	*+23%*
MW commissioned	485	166	*-66%*
Total	672	396	*-41%*

Note: does not include MW in joint development agreements in China, in which Gamesa holds a minority stake.

Wind-Farm division results for 2010

The Wind-Farm division's results in 2010 reflect the recovery of wind-farm construction and sales, with the delivery of 593 MW in 2010, of which 180 MW were delivered in the fourth quarter (92 MW had been monetised in June 2010). Gamesa entered into **new markets in 2010, including Poland (32 MW) and Mexico (20 MW), as well as contracts with new customers, such as Edison, IKEA and RWE.**

Accordingly, **the Wind-Farm Development and Sales division achieved its goal of breaking even in 2010**[15]. In fact, in the last six months of 2010, the division contributed € 10 million to group EBIT (€ 6 million in Q4 2010).

The recovery of wind-farm sales enabled the division to end 2010 with debt on par with 2009 levels, i.e. € 196 million, after paying 60 MM EUR of dividends to the Wind-Turbine division and the holding company.

(million euro)	2009	2010	Q4 2010
Sales	563	432	144
EBIT	-41	0	6
Net Profit	-26	-5	7
NFD	187	196	196

[15] EBIT break-even

Gamesa Corporación Tecnológica Results 2010

The Consolidated Group's main financial figures appear below.

(million euro)	**2009**	**2010**[1]	*% Chg.*	Q4 2010
Sales	3,229	2,764	*-14%*	978
EBITDA	394	328	*-17%*	127
EBITDA/Sales (%)	12.2%	11.9%		12.9%
EBIT	177	119	*-33%*	44
EBIT/Sales (%)	5.5%	4.3%		4.5%
Net profit	115	50	*-56%*	25
NFD	259	-210		-210
NFD/EBITDA	0.7x	-0.6x	-	-0.6x

(1) The results of Gamesa Corporación Tecnológica reflect the impact in 2010 of the consolidation adjustment from eliminating sales (and the corresponding margins) from the Wind-Turbine division to the Wind-Farm division for which sales agreements with third parties were in the final phases of negotiation at the end of the period.

Outlook

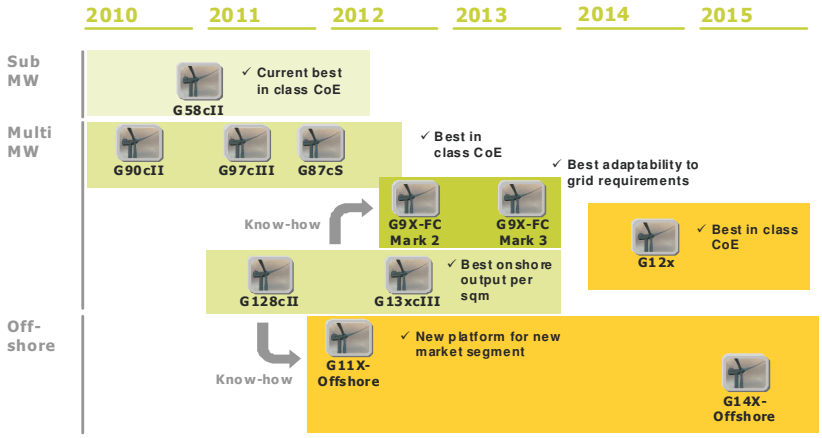
Gamesa has implemented a **3-year business plan (2011-2013) in order to strengthen its lead** in the wind-power market and make it a benchmark in the industry in terms of cost of energy. This objective hinges on three vectors:

- Reducing the **cost of energy** through technological development and improving O&M services
- Maximising **growth** by expanding into new markets and segments, covering the entire value chain, from development through to O&M
- Maximising **efficiency** by launching new industrial platforms, adjusting capacity to demand, and optimising the cost structure

Industry benchmark for cost of energy

Gamesa will **work to reduce its customers' cost of energy by 20% in the next three years**, and **by 30% by 2015**. This reduction will be attained by enhancing reliability, efficiency and availability of Gamesa's present and future product portfolio. In this context, Gamesa aims to double R&D staff by 2013 and open five new engineering and R&D centres: two offshore centres: one in Virginia (US) and one (pending funding approval) in Glasgow (UK), and three further centres: one each in Brazil, India, and Singapore. In 2010, Gamesa expanded the workforce by 193 people and hired an additional 53 in January 2011, opened an engineering centre in Chennai (India), and commenced work on the new offshore power development centre in Virginia, which was inaugurated in January 2011. The company is also planning to open a materials research centre in Singapore in the first half of 2011.

Gamesa will launch five new product families, including the G97-2MW, which offers a 14% performance improvement over its predecessor and will be a market leader in the 2 MW category for low-wind sites (IEC III A), and the G94-2MW, both of which are in the commercial phase, and the multi-MW family of products, whose technological improvements will be rolled out in the existing product range to enhance reliability and performance. **In this way, Gamesa is positioned as the benchmark for cost of energy in both the sub-MW and multi-MW segments**

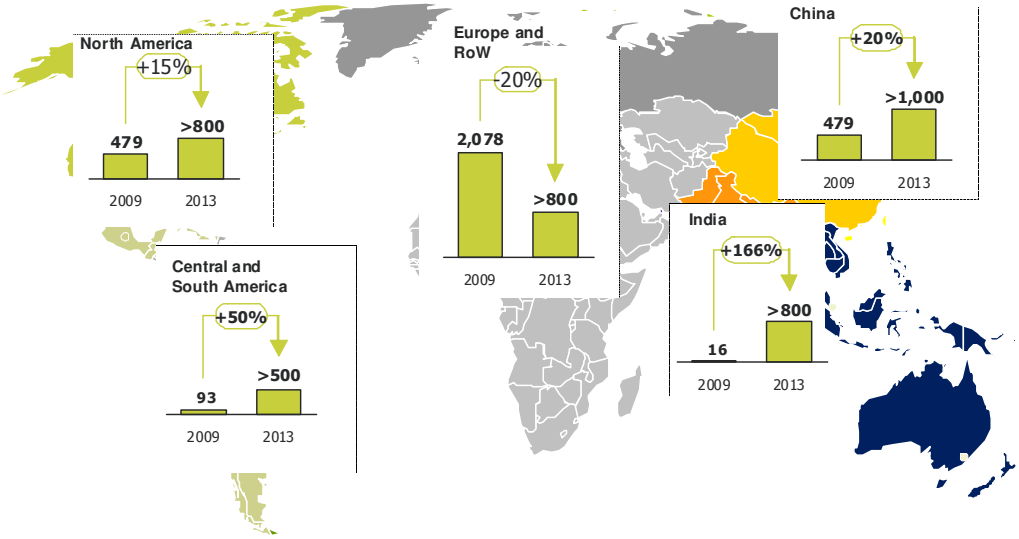


Gamesa's O&M division is playing a crucial role in reducing the cost of energy by maximising plant availability and performance and minimising servicing costs. The company is incorporating O&M expertise into product design with a view to increasing wind-turbine availability and lengthening useful life. It is also reducing downtime by repairing components, managing stock, and performing preventive maintenance. With a view to reducing costs, Gamesa will provide training and certification programmes to subcontractors, and will consider performance in the turbine pricing.

Growth

As part of its expansion into new markets and segments to offset the maturity and regulatory uncertainty of its traditional markets, Gamesa entered 12 new markets including two more in the first quarter of 2011 and obtained over 20 new customers. To maintain this level of success and attain the **target of selling 4,000 MW in 2013**, Gamesa is expanding its presence on the ground by opening new sales offices (24 in total; it opened 7 in 2010), which enhance the company's understanding of customer needs and enable it to respond more rapidly to customer demand. The new commercial organization continues to design and offer customised value propositions adapted to each customer segment's specific features, ranging from large electric utilities through industrial groups and financial investors to small and medium-sized IPPs.

Gamesa sales, 2009-2013 (MWe sold; CAGR 09-13)



Gamesa Energía, the division that develops, builds and sells wind farms, is a unique asset that enables Gamesa Corporación Tecnológica to provide its customers with detailed knowledge of the entire value chain, from wind measurement to wind-farm commissioning; this reduces the project risk for the customer and for the financial institution. Risk abatement is a key factor in the current market context of macroeconomic and regulatory uncertainty, and it makes **Gamesa Energía a source of significant demand, the goal being to deliver around 400 MW per year in 2011-2013**, not counting joint development deals in China (another 300 MW per year). The recovery of development and sales activity will enable Gamesa Energía to increase its contribution to the group's operating profit, with over € 20 million per year projected over the next three years.

Efficiency

The change in the wind-power market since the financial crisis in 2008, coupled with the slow pace of economic recovery and regulatory uncertainty, require greater efficiency from turbine manufacturers, which are operating in an increasingly competitive environment. Gamesa was one of the first companies in the sector to implement a cost-optimization plan, which has saved around € 250 million since it was implemented and has enabled the company to remain profitable despite lower levels of activity.

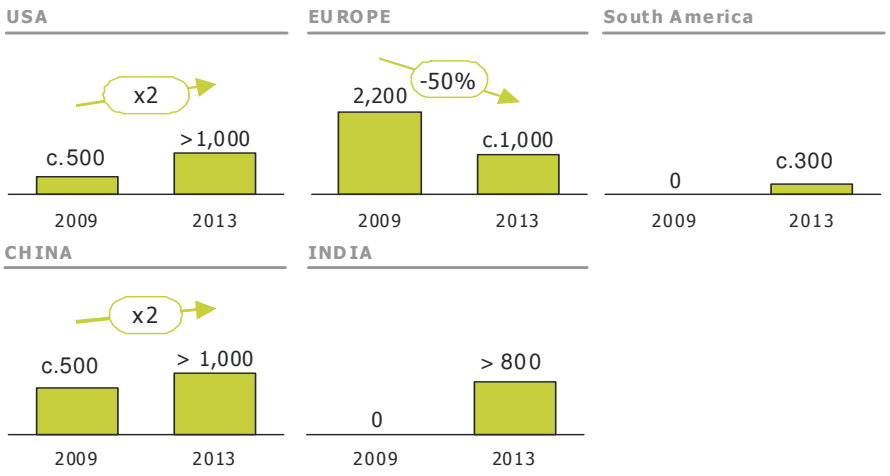
As part of the new business plan, Gamesa will continue to implement measures to improve operating efficiency, particularly tailoring its industrial capacity to demand. Accordingly, **Gamesa plans to reduce capacity in Spain by 50%, to 1,000 MW**, with a cost of approximately € 10 million in 2011 and € 25 million in the period as a whole (2011-2013). Following the reduction of capacity[16] in 2010,

[16] Closure of the plant in Alsasua, Navarra, which manufactures blades for the G5X-850 kW (200 MW), and capacity adjustment at the plant in Somozas, Galicia, which manufactures the blade for the G9X-2 MW (cutting capacity by 300 MW)

in 2011 the company will convert three plants to undertake large repairs and produce new products (G10X-4.5 MW platform).

At the same time as it is rationalizing capacity in Spain, Gamesa is expanding capacity in markets with strong growth potential, such as India, where it plans to have 800 MW of capacity by 2013, and South America, where it implemented 300 MW of capacity in the same year, thereby expanding production capacity in key emerging markets. As a result, **by 2013 Gamesa will have approximately 1,000 MW of capacity in each of the key markets.**

Effective blade manufacturing capacity[1], 2009-2013 (MW)



1) Capacity based on workforce size rather than equipment

Gamesa commenced 2011 with 500 MW in G5X-850 kW (nacelle assembly) capacity in **India**, in line with the company's goal of doubling capacity to meet the strong pace of growth in demand. The company plans to open a blade factory (300 MW of G5X-850 kW) and continue to localise the G9X-2 MW in 2012. The local supply chain plays a vital role in product localisation. Gamesa is working closely with over 50 suppliers in India to obtain a supply commitment with costs, process and product quality and deadlines which conform to Gamesa's standards.

The industrial implementation plan in **Brazil** will begin in 2011 with the opening of a nacelle assembly plant with 300 MW capacity, and the company will establish a local supply chain to obtain around 40% of materials in Brazil by 2011, c.50% by 2012 and c.60% by 2013. Gamesa will also deliver 42 MW in Brazil to the Minas de Paracuru wind farm in the state of Ceará, its first contract in the country.

2011-2013 Outlook

By implementing its business plan 2011-2013, Gamesa expects to expand MWe sales by 15% per year in the Wind-Turbine Division, with an EBIT margin of 6%-7% by 2013, while maintaining a sound financial position, with a consolidated net debt/EBITDA ratio of 2.5 and a working capital/revenues ratio of 20% in the Wind-Turbine division.

In 2011, Gamesa expects to achieve a sales volume in the Wind-Turbine division of between 2,800 and 3,100 MWe and an EBIT margin of 4-5%, including capacity restructuring expenses in Spain (€ 10 million). Excluding capacity-restructuring expenses, the company expects the EBIT margin for the Wind-Turbine division to remain stable. Gamesa Energía expects deliveries amounting to c. 400 MW (not including joint development agreements in China), and EBIT of € 20 million.

In view of its 2010 cash flow and the company's strong start to 2011, Gamesa has established stricter guidance for 2011, reducing the limit for the group the net financial debt/EBITDA ratio from below 2.5x to below 2x, and the working capital/revenues ratio for the Wind-Turbine division from a range of 20-25% **to a range of 15-20%.**

WTG Manufacturing

Windfarms Development & Sales

Gamesa

WTG	2010		Guidance 2010	Guidance 2011 OLD	Guidance 2011 NEW	Guidance 2013
MWe sold	2,405	✓	2,400-2,500	2,800 – 3,100	2,800 – 3,100	CAGR2010-13: 15%
EBIT Margin	4.9%	✓	4.5%-5.5%	4% - 5%	4% - 5%	6% - 7%
WC as % of sales	-1%	✓	c.20%	20-25%	15-20%	c.20%
Capex	128	✓	150	250(2)	250(2)	250(2)
Wind Farms						
MW delivered	593	✓	c.300 (1)	c.400	c.400	c.400
Joint promotion China	256	✓	c.150	c.300	c.300	c.300
EBIT (MMEUR)	0	✓	c.0	c.20	c.20	c.25
Net debt (EUR m)	196	✓	c.300	c.500	c.500	c.500
Group						
WC as % of sales	16%	✓	c.35%-45%			
NFD/EBITDA	0.6x	✓	<2.5x	<2.5x	<2x	<2.5x

(1) FY 2010 guidance does not include 244MW delivered to Iberdrola in Q1
(2) Includes offshore investments: EUR30MM in 2011, EUR60MM in 2013

Offshore development

After signing the strategic alliance with Northrop Grumman Shipbuilding in Q3 2010, the company inaugurated an offshore technology centre in Chesapeake (Virginia) in January 2011, staffed by 50 engineers from both companies. This team will oversee the design and development of the G11X-5.0 MW platform and will assess its prototype, with a view to installing the first of the two prototypes in the second half of 2012.

Gamesa is currently considering locations for its centres for engineering (Glasgow) and logistics and O&M (Dundee), as part of the company's offshore development plan in the UK (€ 150 million over the next 4 years). The two centres would represent capital expenditure in Scotland of close to € 50 million[17] in the coming years and create 300 jobs. Gamesa is also considering several other locations in the East coast of Great Britain as potential sites for its manufacturing facilities and consolidation of components and for project and service ports subject to the commercial development of projects in the area.

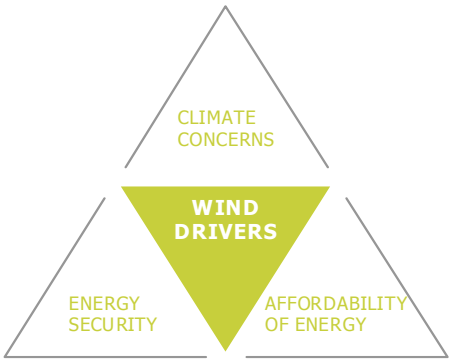
Gamesa requested that the Catalan Institute for Energy Research (IREC) set aside four positions for it to install its wind turbines in the ZÈFIR Test Station offshore wind-testing plant. Gamesa aims to install two fixed platforms (3.5 km from the coast) and two floating platforms (8 km) in the ZÈFIR experimental centre off the coast of Tarragona (Spain).

Growth outlook in the wind-energy sector

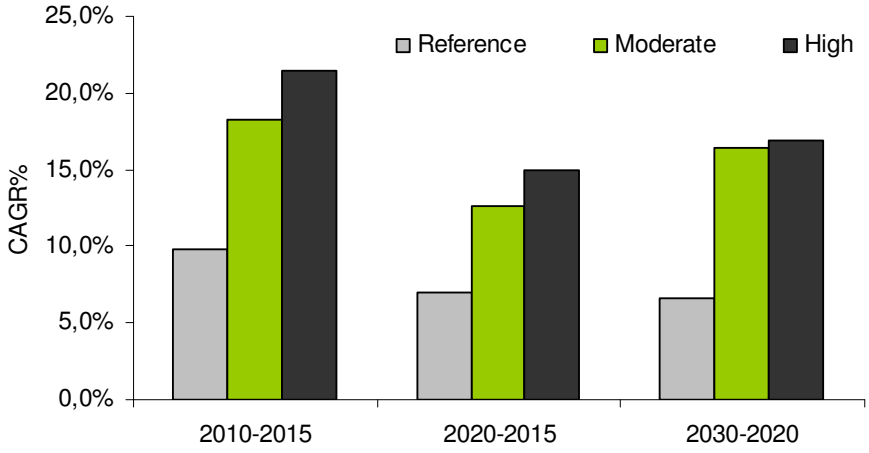
The financial crisis and its impact on demand in 2009, together with the persistent weak macroeconomic scenario, negatively impacted wind-energy development, which declined for the first time in 20 years, according to data from the Global Wind Energy Council (from 38.6 GW installed in 2009 to 35.8 GW installed in 2010, i.e. a decline of 7%). This decline was primarily concentrated in the US (50% lower than the 2009 figure), which was affected by regulatory uncertainty and the lack of federal energy legislation, followed by Europe (-7%), where Italy and Spain were impacted by severe regulatory volatility during Q2 2010.

However, this temporary or short-term contraction does not change the industry's long-term growth fundamentals. The need to guarantee energy independence, in terms of both supply and price, and to combat or slow the impact of climate change, ensures that the commitment to renewable energy is necessary and irrevocable.

[17] Included in the € 150 million capex plan



Although the pace of recovery in the short term may be affected by the economic recovery and the approval of long-term stable legal frameworks in the US, Spain and Italy, a return to growth is already visible, evidenced by the pace of orders in the second half of the year (1,996 MW) and sales coverage at the beginning of 2011 (48%).



Source: GWEC 2010 Outlook

Conclusions

2010 was marked by a weak macroeconomic situation and regulatory uncertainty; however, **Gamesa achieved its goals for the year and reported a net free cash flow of € 472 million, due to efficient management of operations and the balance sheet,** enabling the company to undertake its 2011-2013 business plan from a **solid financial and operating position**.

The Wind-Turbine division reported sales of 2,405 MWe and an EBIT margin of 4.9% in 2010, both in line with **guidance.** Moreover, the strategy of aligning manufacturing with customer orders and with delivery schedules, strict control of working capital, and the recovery in orders during H2 2010 enabled the division to end the year with a **negative working capital/sales ratio (-1%) and net cash of € 405 million.** The gradual recovery in demand plus the company's successful commercial growth strategy (1,414 MWe in orders for delivery in 2011) enabled Gamesa to start the year with **sales coverage of 48% of the guidance** of 2,800-3,100 MWe.

Following the recovery of wind-farm development and sales, with the delivery of 593 MW in 2010, **Gamesa Energía returned to profitability, ending the year with a positive net contribution to EBIT after obtaining € 10 million in EBIT during H2 2010.**

Moreover, the company made notable progress with **its product portfolio and the offshore strategy in 2010.** Gamesa installed the **second prototype of the G10X-4.5 MW**, which already includes all of the final product's technological innovations, making this wind turbine a benchmark in terms of the cost of energy. It also commenced the commercialisation **of the G97-2 MW**, the first product in a new 2 MW family for low and medium winds which considerably improves on the efficiency of previous models.

Gamesa took important steps in the offshore segment in 2010, signing **a strategic agreement with Northrop Grumman** and opening an offshore technology centre in Chesapeake (Virginia, USA). The agreement brings together expertise in multi-MW technology and offshore operations know-how to develop the first offshore prototype (G11XOFS-5 MW), which will be ready in H2 2012.

As a key achievement in the multi –MW segment we have to highlight the agreement with E.ON for the delivery of the first turbines G10X-4.5MW and the installation of the first G10XOFS-5MW prototype in 2011.

The recovery in demand continues to take shape gradually, but the pace of progress in the medium term will be conditional upon approval of stable regulatory frameworks in major markets such as the US, Spain and Italy. Because of this regulatory dependence, it is necessary to reduce the cost of energy, which is one of the vectors of the company's 2011-2013 business plan. **The need to fight the effects of climate change and reduce our energy dependence in the long term is undeniable and guarantees the growth of the industry.**

3. MAIN BUSINESS RISKS

Gamesa Group is exposed to certain financial risks which it manages by way of grouping identification, measurement, limitation of concentration, and supervision systems. The management and limitation of financial risks is carried out in co-ordinated manner between Gamesa's Corporate Management and the business units in accordance with the policies approved at the highest executive level and in accordance with the established policy and procedural rules. The identification, evaluation, and hedging of financial risks is the responsibility of each one of the business units.

The risks associated with exposure to exchange-rate differences in Gamesa's transactions correspond to the sale and purchase of goods and services relating to our own activities in various different currencies.

In order to set off this risk, Gamesa has acquired hedging instruments from financial institutions.

4. USE OF FINANCIAL INSTRUMENTS

Gamesa Group uses financial hedging that allows it to mitigate the risks associated with exchange rates, interest rates, fluctuations in the prices of raw materials, and fluctuations in variable-return securities which could affect the company's forecast results based on estimates of expected transactions for its various activities.

5. SUBSEQUENT EVENTS

No significant events have occurred subsequent to the closing date which are not included in the consolidated annual accounts.

6. RESEARCH & DEVELOPMENT

Technological development is established within a multi-annual framework which is defined in the annual Technological Development plan, which establishes activities and targets to be delivered during each year in question, and then a budget is assigned.

During 2010, the main increase under the "Research and development expenses" heading of the Intangible Fixed Assets at Gamesa Innovation and Technology, S.L. has been due to the development of new wind-turbine models and the optimization of the performance of its different components, totalling approximately 39,221 thousand euros (approximately 40,363 thousand euros during 2009).

7. TRANSACTIONS WITH OWN SHARES

As at 31 December 2010, Gamesa holds a total of 3,267,749 treasury shares, which represents 1.33% of the Share Capital.
Their total value amounts to 34,188 thousand euros, with a unit value of 10.46 euros.
For a more detailed explanation, see Note 17 of the Consolidated Report (Note 10 of the individual Report).

8. CAPITAL STRUCTURE

CAPITAL STRUCTURE INCLUDING SECURITIES NOT TRADED ON A REGULATED EU MARKET, STATING, WHERE APPROPRIATE, THE VARIOUS CLASSES OF SHARES, AND FOR EACH CLASS OF SHARE, THOSE RIGHTS AND DUTIES CONFERRED BY THE PERCENTAGE OF SHARE CAPITAL REPRESENTED:

Pursuant to article 4 of the Gamesa Corporación Tecnológica, S.A. Corporate By-laws (in accordance with the wording thereof dated 19 July 2010 following the approval of the resolution of the Annual General Meeting of 28 May 2010), "the share capital is FORTY-ONE MILLION, SEVEN HUNDRED AND SEVENTY THOUSAND, SIX HUNDRED AND SIXTY-EIGHT EUROS, EIGHTY-NINE EURO CENTS (41,770,668.89 euros), divided into TWO HUNDRED AND FORTY-FIVE MILLION, SEVEN HUNDRED AND NINE THOUSAND, EIGHT HUNDRED AND SEVENTEEN (245,709,817) shares represented by book entries with a par value of SEVENTEEN EURO CENTS (0.17 euros) each one, which make up one single class and series."

DIRECT OR INDIRECT SIGNIFICANT SHAREHOLDINGS

According to public information held by GAMESA CORPORACION TECNOLOGICA, S.A., the capital structure as at 31 December 2010 is as follows:

Name of shareholder	Number of direct votes held	Number of indirect votes held (*)	% of total voting rights
IBERDROLA, S.A.	48,106,512	0	19.579
NORGES BANK	7,605,895	0	3.095

(*) Through:

Name of direct shareholder	Number of direct votes held	% of total voting rights

9. RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer of shares.

10. SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

See point 8.

11. RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on how voting rights may be exercised.

12. SHAREHOLDERS AGREEMENTS NOT INCLUDED IN BY-LAWS

Gamesa Corporación Tecnológica, S.A. is not aware of the existence of any shareholders agreements not included in the by-laws.

13. RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE AMENDMENT OF THE CORPORATE BY-LAWS

Pursuant to the provisions of article 17 of the GAMESA CORPORACIÓN TECNOLÓGICA, S.A. Corporate By-laws, the members of the Board of Directors are *"appointed by the General Meeting"* and *"should a vacancy arise during the term of office of a Director, the Board may appoint a shareholder to fill the vacancy until the first General Meeting is held"*, always in compliance with the provisions of the Spanish Capital Companies Act and the Corporate By-laws.

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

Article 24 of the said Regulations provides that *"the Board of Directors and the Appointments and Remuneration Committee, within the scope of their powers, shall seek to ensure that the proposal and election of candidates corresponds to persons of renowned respectability,*

solvency, competence, and experience, and this rigour must apply even more strictly in the appointment of persons to the office of independent Director.

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

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

With regard to the re-election of Directors, article 25 of the Board of Directors Regulations provides that *"any proposals for the re-election of Directors that the Board of Directors may decide to submit before the Shareholders General Meeting must be subject to a formal evaluation process, which shall necessarily include a proposal or report issued by the Appointments and Remuneration Committee assessing the quality of the work and the dedication to the office shown by the proposed Directors during their previous mandate. For these purposes, where Directors are members of the Appointments and Remuneration Committee, they shall be assessed by the said Committee in the same way, but shall refrain from participating in the deliberations and votes that affect them. The Chairman, the Deputy Chairmen, and where appropriate, the Secretary and the Deputy Secretary of the Board of Directors who are re-elected as Directors following a resolution of the General Meeting shall continue to hold the offices they held previously within the Board of Directors, without needing to be re-elected, and without prejudice to the powers of revocation held by the Board of Directors in respect of the said offices."*

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

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

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

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

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

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

d) In the case of independent Directors, where they should incur for any reason in any of the circumstances envisaged at article 8.2 of these Regulations, which are incompatible with the status of independent Directors.

e) Where, for supervening reasons, they incur in any of the circumstances of disqualification or prohibition envisaged in the current regulations, the Corporate By-laws, or these Regulations.

f) Where they are charged with an alleged criminal offence, or are served with notice that they are to be tried for any of the offences listed in the provisions relating to disqualification from holding the office of director envisaged in the Spanish Capital Companies Act, or are the subject of disciplinary proceedings for a serious or very serious offence commenced by the regulatory authorities.

g) Upon reaching the age of 70. The Director in question shall cease to hold office as from the first session of the Board of Directors held after the Shareholders General Meeting approving the annual accounts for the financial year in which the Director is to reach the said age.

h) Where they should cease to hold the executive offices to which their appointment as Directors was linked.

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

j) Where their continued presence on the Board of Directors should jeopardize the interests of the Company, or where the reasons for which they were appointed should no longer exist.

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

Rules applicable to the amendment of the Corporate By-laws

The amendment of the Gamesa Corporación Tecnológica, S.A. Corporate By-laws is governed by the provisions of articles 285 to 290 of the Spanish Capital Companies Act, without any requirements for reinforced majorities beyond those provided for at article 201 of the said legal text.

Article 6 of the Shareholders General Meeting Regulations expressly includes the amendment of the Corporate By-laws as being within the powers of this body.

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

Powers of the members of the Board of Directors

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the session held on 8 October 2009, unanimously agreed, following a favourable report by the Appointments and Remuneration Committee, to appoint Mr. Jorge Calvet Spinatsch as Chairman of the Board of Directors and Managing Director, delegating all powers corresponding to the Board of Directors pursuant to law and to the Corporate By-laws to him, with the exception of those that may not be delegated pursuant to law or to the Corporate By-laws. Mr. Calvet Spinatsch accepted his appointment at the same act.

Powers relating to the possibility of issuing or repurchasing shares

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

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

a. Acquisitions may be made directly by Gamesa Corporación Tecnológica, Sociedad Anónima, or indirectly through its controlled companies.
b. Acquisitions of shares, which must be fully paid up and free from all charges and/or encumbrances, shall be made through sale and purchase transactions, exchanges, or any other method allowed by law.
c. Acquisitions may be made, at any time, up to the maximum figure allowed by law.
d. The minimum price of the shares shall be their par value, and the maximum price may not exceed 10% of their quoted value on the date of acquisition.
e. A restricted reserve may be set up in the Company's equity equivalent to the calculated value of the own shares in the assets. This reserve must be maintained for as long as the shares are not disposed of or amortized.
f. The shares acquired may be subsequently disposed of under such conditions as may be freely agreed.
g. This authorization is granted for a maximum term of 5 years, and expressly renders of no effect the authorization granted by the Company's Annual General Meeting on 29 May 2009, in that part left to run.

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

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

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

Pursuant to the framework agreement between Iberdrola Renovables, S.A. and Gamesa Eólica, S.L. Unipersonal executed in 2008 and novated with amendments on various dates, in the event that any company (other than Iberdrola, S.A. or a company within the Iberdrola group) should come to control 30% or more of Gamesa Corporación Tecnológica, S.A., or should appoint directors who, in addition to those already appointed, represent more than one half of the directors of Gamesa Corporación Tecnológica, S.A., or any other situation that entails control over or management of Gamesa Corporación Tecnológica, S.A., this shall entitle Iberdrola Renovables to treat this framework

agreement as being discharged, with no liability of any kind arising between the parties as a result of this termination.

16. AGREEMENTS BETWEEN THE COMPANY AND ITS MANAGEMENT OFFICERS OR EMPLOYEES PROVIDING FOR INDEMNITIES WHEN SAID PERSONS SHOULD RESIGN OR BE UNFAIRLY DISMISSED, OR SHOULD THE EMPLOYMENT RELATIONSHIP COME TO AN END AS A RESULT OF A TAKEOVER BID.

The Chairman and the Managing Director and some of the members of the Company's management team are contractually entitled to receive economic compensation in the event of the termination of their employment relationship for reasons attributable to the Company, and in some cases also in the event objective circumstances should arise, such as a change of control. The agreed economic compensation for said termination consists, in general terms, in the payment of the remuneration corresponding to a variety of periods, up to a maximum of three years, depending on their personal and professional circumstances and the time at which the agreement was executed.

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