Gamesa Corporación Tecnológica, S.A. and Subsidiaries composing the GAMESA Group

Auditors' Report

Consolidated Financial Statements for the year ended 31 December 2010 prepared in accordance with International Financial Reporting Standards

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

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

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Pablo Múgica
24 February 2011

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

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

(Thousands of euros)

ASSETS	Notes	31/12/10	31/12/09 (*)
NON-CURRENT ASSETS:			
Intangible assets-			
Goodwill	8	387.258	387.258
Other intangible assets	9	166.802	152.545
		554.060	**539.803**
Property, plant and equipment-	10		
Property, plant and equipment in use		381.217	404.696
Property, plant and equipment in the course of construction		46.532	12.716
		427.749	**417.412**
Investments accounted for using the equity method	11	**45.300**	**51.702**
Non-current financial assets-	12		
Investment securities		31.231	4.815
Other non-current financial assets		77.241	73.356
		108.472	**78.171**
Deferred tax assets	23	**221.854**	**193.199**
Total non-current assets		**1.357.435**	**1.280.287**
CURRENT ASSETS:			
Inventories	13	**843.767**	**784.356**
Trade and other receivables	14	**1.280.946**	**1.435.570**
Trade receivables from related companies	30	**173.550**	**357.423**
Tax receivables	24	**140.024**	**168.689**
Other receivables	14	**113.174**	**73.040**
Current financial assets-			
Derivative financial instruments	19	812	5.410
Other current financial assets		16.247	5.916
		17.059	**11.326**
Cash and cash equivalents	15	**1.013.156**	**801.438**
Total current assets		**3.581.676**	**3.631.842**
TOTAL ASSETS		**4.939.111**	**4.912.129**

EQUITY AND LIABILITIES	Notes	31/12/10	31/12/09 (*)
EQUITY:			
Of the Parent-	17		
Share capital		41.771	41.361
Share premium		155.279	155.279
Other reserves		1.411.921	1.301.540
Unrealised asset and liability revaluation reserve		(8.537)	(8.348)
Translation differences		7.216	(1.650)
Treasury shares		(34.188)	(32.310)
Net profit for the year		50.192	114.666
		1.623.654	**1.570.538**
Of non-controlling interests	22	**5.048**	**5.061**
Total equity		**1.628.702**	**1.575.599**
NON-CURRENT LIABILITIES:			
Provisions for contingencies and charges	20	231.275	222.625
Bank borrowings	18	556.725	396.490
Other non-current liabilities	21	45.363	51.864
Deferred tax liabilities	23	49.089	86.293
Derivative financial instruments	19	5.311	-
Total non-current liabilities		**887.763**	**757.272**
CURRENT LIABILITIES:			
Bank borrowings and other financial liabilities-			
Bank borrowings	18	257.479	687.987
Derivative financial instruments	19	24.868	16.255
		282.347	**704.242**
Trade and other payables		**1.791.652**	**1.525.073**
Trade payables to related companies	30	**113.261**	**131.660**
Other payables-			
Tax payables	24	105.728	89.140
Other current liabilities		129.658	129.143
		235.386	**218.283**
Total current liabilities		**2.422.646**	**2.579.258**
TOTAL EQUITY AND LIABILITIES		**4.939.111**	**4.912.129**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 35 and the Appendix are an integral part of the consolidated balance sheet at 31 December 2010.

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES

COMPOSING THE GAMESA GROUP

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

(Thousands of euros)

	Notes	(Debit) Credit 2010	2009 (*)
Continuing operations:			
Revenue	27-a	2.735.645	3.187.085
+/- Changes in inventories of finished goods and work in progress		153.123	(254.073)
Procurements	27-b	(2.002.777)	(2.072.087)
Other operating income	27-a	95.917	112.877
Staff costs	27-c	(295.116)	(292.354)
Other operating expenses	27-d	(359.112)	(287.290)
Depreciation and amortisation charge and provisions	27-e	(208.674)	(217.437)
PROFIT FROM OPERATIONS		**119.006**	**176.721**
Finance income	27-f	17.703	12.032
Finance costs	27-g	(67.318)	(58.642)
Exchange differences (gains and losses)		(4.673)	(6.575)
Net loss on disposal of non-current assets	12	(994)	(1.526)
Net impairment losses	10 and 11	(30.414)	(1.840)
Results of companies accounted for using the equity method	11	2.052	1.568
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**35.362**	**121.738**
Income tax on profit from continuing operations	25	15.307	(7.159)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**50.669**	**114.579**
PROFIT FOR THE YEAR		**50.669**	**114.579**
Attributable to:			
Shareholders of the Parent		**50.192**	**114.666**
Non-controlling interests	22	**477**	**(87)**
Earnings per share (in euros)	33		
From continuing operations		0,2081	0,4769
From continuing and discontinued operations		0,2081	0,4769

(*) Presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

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

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

(*) The changes in 2009 are presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

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

	Share capital	Share premium	Unrealised asset and liability revaluation reserve	Restricted reserves: Legal reserve	Restricted reserves: Revaluation reserve	Restricted reserves: Reserve for redenomination of capital in euros	Restricted reserves: Reserve for treasury shares	Treasury shares	Other reserves	Translation differences	Net profit for the year	Non-controlling interests	Total equity
Balances at 1 January 2009 (*)	**41.361**	**155.279**	**(13.157)**	**8.272**	**1.139**	**1**	**30.825**	**(30.825)**	**986.011**	**2.467**	**320.224**	**6.513**	**1.508.110**
Total comprehensive income for 2009	-	-	4.809	-	-	-	-	-		(4.117)	114.666	(87)	115.271
Distribution of 2008 profit:													
Other reserves	-	-	-	-	-	-	-	-	272.160	-	(272.160)	-	-
Dividend with a charge to 2008 profit	-	-	-	-	-	-	-	-	-	-	(48.064)	-	(48.064)
Treasury share transactions (Notes 3-ñ and 17-e)	-	-	-	-	-	-	1.485	(1.485)	(1.485)	-	-	-	(1.485)
2009-2011 incentive plan (Note 17-e)	-	-	-	-	-	-	-	-	4.111		-	-	4.111
Transactions with non-controlling interests (Note 22)	-	-	-	-	-	-	-	-	(979)	-	-	(24)	(1.003)
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1.341)	(1.341)
Balances at 31 December 2009 (*)	**41.361**	**155.279**	**(8.348)**	**8.272**	**1.139**	**1**	**32.310**	**(32.310)**	**1.259.818**	**(1.650)**	**114.666**	**5.061**	**1.575.599**
Total comprehensive income for 2010	-	-	(189)	-	-	-	-	-	-	11.725	50.192	477	62.205
Distribution of 2009 profit:													-
Other reserves	-	-	-	-	-	-	-	-	114.666	-	(114.666)	-	-
Scrip dividend and bonus issue (Note 17-a)	410	-	-	-	(410)	-	-	-	(9.772)	-	-	-	(9.772)
Treasury share transactions (Notes 3-ñ and 17-e)	-	-	-	-	-	-	1.878	(1.878)	(2.039)	-	-	-	(2.039)
2009-2011 incentive plan (Note 17-e)	-	-	-	-	-	-	-	-	3.305	-	-	10	3.315
Transactions with non-controlling interests (Note 22)	-	-	-	-	-	-	-	-	(249)	143	-	(500)	(606)
Translation differences on dividends between Group companies	-	-	-	-	-	-	-	-	3.002	(3.002)	-	-	-
Balances at 31 December 2010	**41.771**	**155.279**	**(8.537)**	**8.272**	**729**	**1**	**34.188**	**(34.188)**	**1.368.731**	**7.216**	**50.192**	**5.048**	**1.628.702**

(*) The changes in 2009 are presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES

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

(Thousands of euros)

	Notes	2010	2009 (*)
CONSOLIDATED STATEMENTS OF CASH FLOWS FROM CONTINUING OPERATIONS			
Cash flows from operating activities:			
Profit before tax from continuing operations		35.362	121.738
Adjustments for-			
Depreciation and amortisation charge and provisions and allowances	Notes 9,10,20 and 27-e	208.674	217.437
Incentive plan	Notes 17-e and 27-c	3.315	4.111
Finance income and costs	Notes 27-f and 27-g	52.236	51.617
Net loss on disposal of non-current assets	Note 12	994	1.526
Net impairment losses on assets	Notes 10 and 11	30.414	1.840
Changes in working capital:			
Change in trade and other receivables		330.303	(203.744)
Change in inventories		(59.411)	384.931
Change in trade and other payables		248.455	(316.659)
Effect on working capital of changes in consolidation method and/or scope		93	(3.139)
Effect of translation differences on working capital of foreign companies		4.907	1.992
Provisions used for their intended purpose	Note 20	(85.251)	(140.394)
Income taxes paid		(45.948)	(16.207)
Interest received		14.764	12.390
Net cash flows from operating activities (I)		**738.907**	**117.439**
Cash flows from investing activities:			
Acquisition of subsidiaries, net of existing cash items		(6.795)	(19.061)
Investments in intangible assets	Note 9	(46.911)	(48.486)
Investments in property, plant and equipment	Note 10	(91.874)	(79.271)
Investments in other non-current financial assets	Note 12	(13.608)	(5.716)
Investments in other current financial assets		(10.134)	-
Changes in working capital due to current financial assets		-	(242)
Effect on financial assets of changes in consolidation method and/or scope		(16.250)	
Proceeds from disposal of intangible assets and property, plant and equipment		2.651	6.054
Proceeds from disposal of non-financial and financial assets		2.735	2.212
Proceeds from disposal of subsidiaries		-	15.000
Net cash flows from investing activities (II)		**(180.186)**	**(129.510)**
Cash flows from financing activities:			
New bank borrowings		302.180	525.053
Dividends paid		(10.170)	(49.813)
Interest paid		(51.579)	(46.553)
Cash outflows relating to bank borrowings		(597.057)	(156.952)
Acquisition of treasury shares		(2.039)	(1.485)
Net cash flows from financing activities (III)		**(358.665)**	**270.250**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		**11.662**	**(7.150)**
Effect of changes on cash and cash equivalents and of transfers to assets classified as held for sale (V)		-	-
Net increase in cash and cash equivalents from continuing operations (I+II+III+IV+V)		**211.718**	**251.029**
Cash and cash equivalents from continuing operations at beginning of year		801.438	550.409
Total cash and cash equivalents from continuing operations at end of year		**1.013.156**	**801.438**

(*) Presented for comparison purposes only.

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

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

Gamesa Corporación Tecnológica, S.A. and Subsidiaries composing the GAMESA Group

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

1. Formation and activities of the Group

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

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

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

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

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

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

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

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

Information on the environment-

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

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

a) Basis of presentation-

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

- By the directors of GAMESA, at the Board of Directors Meeting held on 23 February 2011.

- Since 2005, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, including the International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the GAMESA Group's consolidated financial statements for 2010 are summarised in Note 3.

- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements.

- So that they present fairly the consolidated equity and consolidated financial position of the GAMESA Group at 31 December 2010, and the consolidated results of its operations and its consolidated cash flows in the year then ended.

- On the basis of the accounting records kept by GAMESA and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2010 (IFRSs) could differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

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

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

<u>*Standards and interpretations in force in 2009*</u>

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

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

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

Amendments to IFRS 2, Share-based Payment -

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

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

IFRIC 15, Agreements for the Construction of Real Estate -

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

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

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

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

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

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

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

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

c) Functional currency-

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

d) Responsibility for the information-

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

e) Information relating to 2009-

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

f) Basis of consolidation-

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

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

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

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

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

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

- The Group is considered to be carrying out a business combination when the assets acquired and liabilities assumed constitute a business. The Group accounts for each business combination by applying the acquisition method, which entails identifying the acquirer, determining the acquisition date -which is the date on which control is obtained- and cost of acquisition, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and, lastly, recognising and measuring goodwill or a gain from a bargain purchase.

- Goodwill arising as described in the preceding paragraph has not been amortised since 1 January 2004, the date of transition to IFRSs, although it is reviewed for impairment at least once a year (see Note 8).

- Acquisitions-related costs are recognised as expenses in the year in which they are incurred and, therefore, are not considered to be an increase in the cost of the combination.

- The identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair value and any non-controlling interest is measured as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

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

- The result of accounting for ownership interests using the equity method (after eliminating results on intra-Group transactions) is reflected under "Equity - Of the Parent – Other Reserves" and "Results of Companies Accounted for Using the Equity Method" in the accompanying consolidated balance sheet and consolidated income statement, respectively. The equity method consists of initially recognising the investment at cost and subsequently adjusting it, based on the changes in the portion of the entity's net assets that corresponds to the investor, recognising in the investor's profit or loss the corresponding portion of the investee's result for the year (see Note 11).

- Purchases and sales of non-controlling interests in companies that are and continue to be subsidiaries both prior and subsequent to the aforementioned transactions are considered to be transactions between shareholders and, therefore, the payments made will be recognised in the Group's consolidated equity (see Note 22).

- The interest of non-controlling shareholders in the equity and results of the fully consolidated subsidiaries and of the subsidiaries of proportionately consolidated jointly controlled entities is presented under "Equity - Of Non-Controlling Interests" in the consolidated balance sheet and "Profit for the Year - Attributable to: Non-Controlling Interests" in the consolidated income statement.

- The financial statements of foreign companies were translated to euros using the year-end exchange rate method. This method consists of translating to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the consolidated financial statements, the consolidated income statement items at the average exchange rates for the year, and equity at the historical exchange rates at the date of acquisition (or in the case of retained earnings at the average exchange rates for the year in which they were generated), and the differences are recognised with a charge or a credit, as appropriate, to "Equity - Of the Parent - Translation Differences" in the consolidated balance sheet.

- When the Group loses control over a subsidiary, it derecognises the subsidiary's assets (including goodwill) and liabilities and the non-controlling interest at the carrying amount thereof at the date on which control is lost. The consideration received and the investment retained in the aforementioned company are measured at their fair value at the date when control is lost and any gain or loss is recognised in profit or loss.

- The accompanying consolidated financial statements include certain adjustments to bring the accounting policies and procedures applied by the subsidiaries into line with those of GAMESA.

- All balances and transactions between fully or proportionately consolidated companies were eliminated on consolidation.

- In 2009 the taxable temporary differences associated with the retained earnings of subsidiaries (corresponding in full to investees located in China) that will foreseeably be distributed in the coming years and measured at the amount expected to be paid to the tax authorities at source totalled EUR 6,057 thousand (see Note 25). In 2010, as a result of the effective distribution of the aforementioned earnings, this taxable temporary difference was reversed in full.

g) *Changes in the scope of consolidation-*

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

Incorporation of new companies

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

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

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

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

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

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

<u>Acquisition of new companies</u>

<u>2010</u>

In 2010 the significant acquisitions performed were as follows:

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

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

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

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

  On acquisition neither company held cash or cash equivalents.

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

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

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

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

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

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

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

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

2009

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

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

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

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

Exclusions from the scope of consolidation

2010

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

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

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

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

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

2009

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

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

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

Other corporate transactions

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

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

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

- The following companies were liquidated:

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

3. Accounting principles and policies and measurement bases applied

a) Revenue recognition-

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

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

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

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

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

b) Stage of completion-

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

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

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

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

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

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

c) Goodwill-

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

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

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

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

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

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

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

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

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

e) Leases-

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

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

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

f) Foreign currency balances and transactions-

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

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

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

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

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

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

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

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

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

g) *Government grants-*

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

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

h) *Classification of current and non-current liabilities-*

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

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

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

i) *Income tax-*

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

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

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

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

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

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

j) Property, plant and equipment-

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

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

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

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

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

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

k) *Intangible assets-*

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

Internally generated intangible assets - Development expenditure

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

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

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

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

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

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

Concessions, patents, licences, trademarks and similar items

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

Computer software

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

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

l) Asset impairment-

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

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

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

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

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

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

m) Inventories-

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

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

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

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

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

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

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

n) *Financial assets and liabilities-*

Financial assets

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

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

- Financial assets at fair value through profit or loss. These assets have certain of the following characteristics:

    - The GAMESA Group intends to generate a profit from short-term fluctuations in their prices.

    - They have been included in this asset category since initial recognition, since they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

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

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

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

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

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

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

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

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

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

Category of financial assets at fair value

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

- Category 1: their fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.

- Category 2: their fair value is determined using observable market inputs other than the quoted prices included in category 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Category 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable market data.

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

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

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

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

Bank borrowings and other financial liabilities

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

Trade payables

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

Derivative financial instruments and hedge accounting (see Note 19)

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

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

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

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

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

Derecognition of financial instruments

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

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

ñ) Treasury shares of the Parent-

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

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

o) Provisions-

A distinction is drawn between:

- Provisions: present obligations at the balance sheet date arising from past events which are uncertain as to their amount and/or timing.

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated companies; or possible obligations, whose occurrence is unlikely or whose amount cannot be reliably estimated.

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

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

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

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

Litigation and/or claims in process

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

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

p) Termination benefits-

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

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

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

q) Share-based payment-

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

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

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

r) Consolidated cash flow statement-

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

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

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities. The principal revenue-producing activities of the GAMESA Group companies and other activities that are not investing or financing activities.

- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities. Activities that result in changes in the size and composition of the equity and borrowings that are not operating activities.

s) Earnings per share-

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

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

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

t) Dividends-

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

4. Financial risk management policy

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

a) Market risk (foreign currency risk)-

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

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

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

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

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

b) Interest rate risk-

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

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

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

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

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

c) Liquidity risk-

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

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

d) Credit risk-

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

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

5. Estimates and sources of uncertainty

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

- The GAMESA Group recognises by reference to the stage of completion revenue from wind farm and WTGS sale contracts that meet the requirements established in this connection (see Note 3-b). This requires that a reliable estimate must be made of the revenue from each contract and the total contract costs, as well as of the percentage of completion at year-end from technical and economic standpoints.

- As indicated in Note 3-l, each year the GAMESA Group tests for impairment assets for which there are indications that they might have become impaired and goodwill and intangible assets that have not yet come into service, and, therefore, it has to estimate their recoverable amount (see Notes 8, 9 and 10).

- At each year-end the GAMESA Group estimates the current provisions required for warranties for possible repairs and start-up costs that the Group will have to incur in connection with sales of WTGSs (see Notes 3-o and 20).

- The GAMESA Group made certain assumptions in order to calculate the liability arising from obligations to employees (see Notes 3-q and 18-e)

- At year-end the GAMESA Group analyses its accounts receivable and, on the basis of its best estimates, quantifies the amount thereof that could be uncollectible (see Note 14).

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

- The GAMESA Group recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured. In this respect, the GAMESA Group considers that the recoverability of certain tax assets recognised by the companies in the Basque Country and Navarre tax groups (see Note 25) is guaranteed by including in the tax groups, where possible, companies with taxable profits or through other operating and commercial measures which are also available to the GAMESA Group and under its control.

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

6. Distribution of profit

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

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

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

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

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

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

7. Segment reporting

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

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

The operating segments identified are as follows:

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

Segment information about these operating segments is presented below:

a) Revenue -

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

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

b) Net profit -

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

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

c) Investment in assets -

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

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

d) Depreciation and amortisation charge and provisions -

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

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

e) Assets and liabilities -

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

	Thousands of euros			
	Manufacturing	Generation	Consolidation adjustments	Total at 31/12/10
Property, plant and equipment and other intangible assets	582,127	12,423	1	594,551
Goodwill and other non-current assets	647,318	115,565	1	762,884
Current assets	3,333,541	1,257,779	(1,007,644)	3,581,676
Total assets	**4,560,986**	**1,385,767**	**(1,007,642)**	**4,939,111**
Equity	1,237,372	419,004	(27,674)	1,628,702
Bank borrowings and other financial liabilities	700,574	113,630	-	814,204
Other non-current liabilities	321,207	9,831	-	331,038
Other current liabilities	2,301,833	843,302	(979,988)	2,165,167
Total equity and liabilities	**4,560,986**	**1,385,767**	**(1,007,642)**	**4,939,111**

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

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

Geographical information

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

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

The most significant disclosures in this connection are as follows:

a) Revenue -

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

Geographical area	31/12/10 Thousands of euros	31/12/10 %	31/12/09 Thousands of euros	31/12/09 %
Spain	309,673	11.4%	990,744	31.1%
Rest of Europe	902,317	32.9%	1,045,798	32.8%
United States	723,322	26.4%	567,235	17.8%
China	357,625	13.1%	235,367	7.4%
India	189,017	6.9%	-	0.0%
Rest of the world	253,691	9.3%	347,941	10.9%
Total	**2,735,645**	**100.0%**	**3,187,085**	**100.0%**

b) Total assets -

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

Geographical area	31/12/10 Thousands of euros	31/12/10 %	31/12/09 Thousands of euros	31/12/09 %
Spain	2,609,306	52.8%	3,252,535	66.2%
Rest of Europe	502,147	10.2%	457,588	9.3%
United States	1,037,863	20.9%	627,079	12.8%
China	343,604	7.0%	250,114	5.1%
India	170,498	3.5%	-	0.0%
Rest of the world	275,694	5.6%	324,813	6.6%
Total	**4,939,111**	**100.0%**	**4,912,129**	**100.0%**

c) Investment in assets -

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

Geographical area	31/12/10 Thousands of euros	31/12/10 %	31/12/09 Thousands of euros	31/12/09 %
Spain	105,065	75.7%	113,031	88.5%
Rest of Europe	462	0.3%	1,417	1.1%
United States	8,494	6.1%	8,949	7.0%
China	20,407	14.8%	2,561	2.0%
India	4,315	3.1%	-	0.0%
Rest of the world	42	-	1,799	1.4%
Total	**138,785**	**100.0%**	**127,757**	**100.0%**

8. Goodwill

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

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

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

Goodwill allocated to the "Manufacturing" segment

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

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

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

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

- Gradual improvement in the MW sold in the coming years, regaining in 2012 the sales volume achieved in 2008 and attaining a level of 4,000 MW in 2013.

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

- Reduction in average income per MW in 2011, regaining previous levels in 2013, as a result of the appearance of new products and a recovery of the gross margin in 2012-2013 as a result of the cost improvement plans already initiated.

- Alignment of production with order inflows and inventory optimisation.

Goodwill allocated to the "Generation" segment

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

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

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

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

9. Other intangible assets

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

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

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

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

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

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

10. Property, plant and equipment

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

	Thousands of euros				
	Land and buildings	Plant and machinery	Other items of property, plant and equipment	Property, plant and equipment in the course of construction	Total
Cost -					
Balance at 01/01/09	**146,346**	**172,883**	**218,871**	**25,980**	**564,080**
Net additions (disposals) due to changes in the scope of consolidation (Note 2-g)	84,362	-	-	242	84,604
Additions	2,573	17,510	36,210	22,978	79,271
Disposals	(867)	(5,775)	(3,747)	(135)	(10,524)
Transfer of assets classified as held for sale	422	6,506	4,027	1,296	12,251
Translation differences	(2,076)	(1,786)	(1,021)	(111)	(4,994)
Transfers	23,867	8,888	5,405	(37,534)	626
Balance at 31/12/09	**254,627**	**198,226**	**259,745**	**12,716**	**725,314**
Additions	2,003	16,144	35,515	38,212	91,874
Disposals	(1,426)	(9,030)	(4,939)	(139)	(15,534)
Translation differences	5,105	4,498	2,993	(407)	12,189
Transfers	(5,593)	6,973	5,142	(3,850)	2,672
Balance at 31/12/10	**254,716**	**216,811**	**298,456**	**46,532**	**816,515**
Accumulated depreciation -					
Balance at 01/01/09	**(20,735)**	**(97,509)**	**(114,239)**	-	**(232,483)**
Net additions (disposals) due to changes in the scope of consolidation (Note 2-g)	(3,470)	-	-	-	(3,470)
Charge for the year (Note 29-e)	(7,341)	(23,283)	(36,754)	-	(67,378)
Disposals	70	2,511	1,186	-	3,767
Transfer of assets classified as held for sale	-	(4,006)	(3,067)	-	(7,073)
Translation differences	287	802	599	-	1,688
Transfers	-	(745)	16	-	(729)
Balance at 31/12/09	**(31,189)**	**(122,230)**	**(152,259)**	-	**(305,678)**
Charge for the year (Note 29-e)	(14,632)	(22,116)	(33,117)	-	(69,865)
Disposals	20	7,868	4,002	-	11,890
Translation differences	(714)	(1,918)	(1,677)	-	(4,309)
Transfers	92	(2,856)	(106)	-	(2,870)
Balance at 31/12/10	**(46,423)**	**(141,252)**	**(183,157)**	-	**(370,832)**
Impairment losses -					
Balance at 01/01/09	-	**(378)**	-	-	**(378)**
Impairment loss recognised in the year	-	(1,715)	-	-	(1,715)
Translation differences	-	(131)	-	-	(131)
Balance at 31/12/09	-	**(2,224)**	-	-	**(2,224)**
Impairment loss recognised in the year	(1,091)	(14,323)	-	-	(15,414)
Translation differences	-	(296)	-	-	(296)
Balance at 31/12/10	**(1,091)**	**(16,843)**			**(17,934)**
Total property, plant and equipment at 31/12/09	**223,438**	**73,772**	**107,486**	**12,716**	**417,412**
Total property, plant and equipment at 31/12/10	**207,202**	**58,716**	**115,299**	**46,532**	**427,749**

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

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

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

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

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

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

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

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

11. Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Non-current financial assets

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

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

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

a) Investment securities-

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

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

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

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

b) Other non-current financial assets -

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

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

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

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

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

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

13. Inventories

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

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

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

14. Trade and other receivables

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

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

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

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

15. Cash and cash equivalents

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

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

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

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

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

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

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

17. Equity of the Parent

a) Share capital-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Share premium-

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

c) *Unrealised asset and liability revaluation reserve-*

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

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

d) *Other reserves-*

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

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

<u>Legal reserve</u>

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

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

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

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

e) Treasury shares

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

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

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

	Number of shares	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 17-a)	48,249	-
Disposals	(35,000)	371
Balance at 31 December 2010	**3,267,749**	**(34,188)**

2005-2008 share option plan

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

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

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

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

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

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

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

2009-2011 Incentive Plan

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

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

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

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

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

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

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

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

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

f) Reserves attributable to the consolidated companies

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

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

18. Bank borrowings and other financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

USD

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

INR

	Thousands of euros			
	Interest rate change (EUR)		Foreign exchange rate changes (EUR/USD)	
	+ 0.25%	- 0.25%	+ 5%	- 5%
Change in the value of the borrowings	139	(139)	2,656	(2,936)

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

19. Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

a) Credit risk

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

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

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

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

b) Market risk

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

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

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

20. Provisions for contingencies and charges

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

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

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

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

Contingent assets

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

21. Other non-current liabilities

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

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

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

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

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

22. Non-controlling interests

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

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

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

23. Deferred taxes

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

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

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

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

24. Tax matters

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

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

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

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

25. Income tax expense (income)

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

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

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

The other consolidated companies file individual tax returns.

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

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

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

- Temporary differences arising from the accelerated depreciation and amortisation tax benefit taken on certain assets assigned to research and development activities.

- The different accounting and tax methods for recognising certain provisions.

- The different accounting and tax methods for recognising income and expenses by reference to the stage of completion at the companies taxed in the US.

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

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

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

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

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

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

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

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

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

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

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

26. Obligations and guarantees to third parties

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

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

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

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

27. Income and expenses

a) Revenue and other operating income -

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

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

b) Procurements -

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

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

c) Staff costs -

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

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

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

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

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

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

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

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

d) Other operating expenses -

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

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

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

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

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

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

e) Depreciation and amortisation charge and provisions and allowances -

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

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

f) Finance income -

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

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

g) Finance costs -

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

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

28. Remuneration of directors

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

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

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

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

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

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

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

29. Remuneration of senior executives

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

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

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

30. Related party balances and transactions

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

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

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

Strategic agreement with Iberdrola Renovables, S.A.

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

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

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

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

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

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

Agreements relating to the Generation business:

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

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

Agreements relating to the Manufacturing business:

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

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

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

31. Other disclosures

a) Financial position-

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

b) Disclosures on the payment periods to suppliers-

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

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

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

32. Fees paid to auditors

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

2010

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

2009

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

33. Earnings per share

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

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

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

At 31 December 2010 and 2009, Gamesa Corporación Tecnológica, S.A., the Parent of the GAMESA Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

34. Standards and interpretations issued but not yet in force

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

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

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

Amendments to IAS 32, Classification of Rights Issues

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

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

Revision of IAS 24, Related Party Disclosures

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

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

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

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

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

IFRS 9, Financial Instruments

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

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

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

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

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

35. Explanation added for translation to English

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

COMPANIES COMPOSING THE GAMESA GROUP AT 31 DECEMBER 2010

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Thousands of euros: Share capital	Reserves	Profit (Loss) for the year after tax
FULLY CONSOLIDATED COMPANIES							
A) GAMESA ENERGÍA GROUP							
Gamesa Energía, S.A.	Development of wind farms	Deloitte	Vizcaya	100%	35,491	400,815	59,252
A.1 Wind farms							
• **Development of wind farms**							
Gamesa Inversiones Energéticas Renovables, S.C.R. de Régimen Simplificado, S.A.	Development of wind farms	Deloitte	Vizcaya	100%	1,200	216	14,248
Gamesa Energía Italia, S.P.A.	Development of wind farms	Deloitte	Italy	100%	4,070	(123)	(1,645)
Gamesa Energiaki Hellas, A.E.	Development of wind farms	Deloitte	Greece	100%	234	71	(769)
Gamesa Energía Portugal, S.A.	Development of wind farms	Deloitte	Portugal	100%	475	1,241	(1,167)
Gamesa Energie France, E.U.R.L.	Development of wind farms	Deloitte	France	100%	60	(1,243)	(1,801)
Parques Eólicos del Caribe, S.A.	Development of wind farms	-	Dominican Republic	57%	918	(421)	(66)
Navitas Energy, Inc.	Development of wind farms	Deloitte	US	97.00%	252	(4,751)	(1,377)
Gamesa Energy Romania, Srl	Development of wind farms	-	Romania	100%	-	(537)	(898)
Whitehall Wind	Operation of wind farms	Deloitte	US	100% Navitas	-	-	-
Main Wind 1	Development of wind farms	Deloitte	US	100% Navitas	-	-	-
Gamesa Energía Polska Sp. Zoo	Development of wind farms	Deloitte	Poland	100%	112	(164)	(523)
Gamesa Energy UK, Ltd.	Development of wind farms	Deloitte	UK	100%	-	(1,944)	(637)
Gamesa Energie Deutschland, GmbH	Development of wind farms	Deloitte	Germany	100%	575	(199)	(1,580)
GERR, Grupo Energético XXI, S.A. (Sole-Shareholder Company)	Development of wind farms	-	Barcelona	100%	1,605	(4,151)	1,769
International Wind Farm Developments II, S.L.	Development of wind farms	-	Vizcaya	100%	3	(1)	(73)
International Wind Farm Developments III, S.L.	Development of wind farms	-	Vizcaya	100%	3	(1)	(33)
International Wind Farm Developments IX, S.L.	Development of wind farms	-	Vizcaya	100%	3	(1)	(1)
• **Operation of wind farms**							
Baileyville Wind Farm, LLC	Operation of wind farms	-	US	100%	-	-	-
Windfarm Riedener Berg GmbH	Operation of wind farms	-	Germany	100%	25	(2)	-
Windfarm 33 Gmbh	Operation of wind farms	-	Germany	100%	25	(2)	-
Windfarm Thransheide GmbH	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 35 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	(2)
Windfarm Sarow GmbH	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 38 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 39 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 40 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
Windfarm 41 Gmbh	Operation of wind farms	-	Germany	100%	25	(1)	-
S.E. Balazote, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Toledo	100%	61	(5)	(2)
S.E. Cabezo Negro, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Zaragoza	100%	61	(250)	(667)
SAS SEPE du Mont de Chatillon	Operation of wind farms	-	France	100%	4	27	(2)
SAS SEPE de la Pomarede	Operation of wind farms	-	France	100%	4	22	(2)
SAS SEPE du Plateu	Operation of wind farms	-	France	100%	4	20	(2)
SAS SEPE D´ Atlancia	Operation of wind farms	-	France	100%	4	27	(2)
SAS SEPE de Meuse et Mouzon	Operation of wind farms	-	France	100%	4	27	(2)
PETAF - Energia Eolica Sociedade Unipessoal Lda	Operation of wind farms	-	Portugal	100%	5	(1)	(1)
Sistemas Energéticos La Plana, S.A.	Operation of wind farms	-	Zaragoza	90%	421	1,769	129

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Thousands of euros Share capital	Reserves	Profit (Loss) for the year after tax
Sistemas Energéticos Ferrol Nerón, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(20)	(6)
Sistemas Energéticos La Jimena, S.A.	Operation of wind farms	-	Soria	60%	61	(233)	(47)
Sistemas Energéticos Barandón, S.A.	Operation of wind farms	-	Valladolid	100%	61	(4)	-
Eoliki Eliniki, A.E.	Operation of wind farms	Deloitte	Greece	86%	68	(71)	(11)
Eoliki Peloponisou Lakka Energiaki A.E.	Operation of wind farms	Deloitte	Greece	86%	59	(42)	(7)
Eoliki Attikis Kounus Energiaki A.E.	Operation of wind farms	Deloitte	Greece	86%	59	(42)	(7)
Parco Eolico Orune, Srl	Operation of wind farms	-	Italy	100%	30	(15)	(3)
Parco Eolico di Pedru Ghisu, Srl	Operation of wind farms	-	Italy	90%	30	(17)	(1)
Parco Eolico Nevena, Srl	Operation of wind farms	-	Italy	100%	30	(16)	(3)
Parco Eólico Punta Ferru, S.R.L.	Operation of wind farms	-	Italy	90%	30	(7)	(1)
Parco Eólico Marsica Vento, S.R.L.	Operation of wind farms	-	Italy	90%	30	(8)	(1)
Sistemas Energéticos Ventorrillo, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(5)	1
Sistemas Energéticos Almodóvar del Río, S.L.	Solar PV electricity production	-	Vizcaya	100%	3	(1,144)	73
Sistemas Energéticos Carellana, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Toledo	100%	61	(4)	(1)
Sistemas Energéticos Ritobas, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Valladolid	100%	61	(3)	-
Sistemas Energéticos de Tarifa, S.L. (Sole-Shareholder Company).	Development of wind farms	-	Vizcaya	100%	61	(14)	(92)
Sistemas Energéticos Argañoso, S.L. (Sole-Shareholder Company).	Development of wind farms	-	Vizcaya	100%	61	(18)	-
Sistemas Energéticos Odra, S.A. (Sole-Shareholder Company).	Operation of wind farms	-	Toledo	100%	61	(3)	(1)
Sistemas Energéticos Ortegal, S.A.	Operation of wind farms	-	A Coruña	80%	61	(7)	(10)
Sistemas Energéticos del Sur, S.A.	Operation of wind farms	-	Seville	70%	1,486	(208)	(33)
Sistemas Energéticos Castillejo, S.A. (Sole-Shareholder Company).	Operation of wind farms	-	Toledo	100%	61	(3)	(1)
Sistemas Energéticos los Nietos, S.A. (Sole-Shareholder Company).	Operation of wind farms	-	Seville	100%	61	(4)	(1)
Sistemas Energéticos Sierra de Lourenza, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(50)	(7)
Sistemas Energéticos Loma del Reposo, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Vizcaya	100%	61	(11)	-
Sistemas Energéticos La Jauca, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Edreira, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	8	(6)
Sistemas Energéticos Del Toro, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Cañarete, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos El Pertiguero, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Campoliva, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Zaragoza	100%	61	(3)	-
Sistemas Energéticos Herrera, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Zaragoza	100%	61	(2)	(2)
Sistemas Energéticos Carril, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Vizcaya	100%	61	(4)	-
Gesacisa Desarrolladora SA de CV	Operation of wind farms	-	Mexico	85%	-	-	-
Sistemas Energéticos Del Zenete, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	(1)
Sistemas Energéticos Alcohujate, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Toledo	100%	61	(6)	(6)
Energiaki Megas Lakkos, S.A.	Operation of wind farms	Deloitte	Greece	100%	60	(40)	(7)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Thousands of euros Share capital	Reserves	Profit (Loss) for the year after tax
SAS SEPE de Menetreol Sous Vatan	Operation of wind farms	-	France	100%	37	(22)	(10)
SAS SEPE des Potences	Operation of wind farms	-	France	100%	4	(18)	3
SAS SEPE Serre du Bichou	Operation of wind farms	-	France	100%	4	(17)	3
SAS SEPE Saint Georges de Noisné	Operation of wind farms	-	France	100%	37	(50)	3
SAS SEPE Lingevres	Operation of wind farms	-	France	100%	4	26	(2)
SAS SEPE Corlay Saint Mayeux	Operation of wind farms	-	France	100%	4	20	(11)
SAS SEPE St. Loup de Saintonge	Operation of wind farms	-	France	100%	4	23	(3)
SAS SEPE Villiers Vouille et Yversay	Operation of wind farms	-	France	100%	4	(19)	(2)
SAS SEPE de la Nelausa	Operation of wind farms	-	France	100%	37	(14)	(12)
SAS SEPE Souvigne	Operation of wind farms	-	France	100%	37	(15)	(5)
SAS SEPE Dampierre Prudemanche	Operation of wind farms	-	France	100%	37	(18)	(143)
SAS SEPE de L'Epinette	Operation of wind farms	-	France	100%	4	20	(3)
SAS SEPE Germainville	Operation of wind farms	-	France	100%	37	(15)	(3)
SAS SEPE Ecueille	Operation of wind farms	-	France	100%	4	16	(51)
SAS SEPE Janaillat at Saint Dizier Leyrenne	Operation of wind farms	-	France	100%	37	(53)	(4)
SAS SEPE Du p.e. Moreac	Operation of wind farms	-	France	100%	37	(38)	(34)
SAS SEPE Poullan	Operation of wind farms	-	France	100%	4	22	(3)
SAS SEPE Kaymard	Operation of wind farms	-	France	100%	4	23	(2)
SAS SEPE des 4 Vallés	Operation of wind farms	-	France	100%	37	(6)	(10)
SAS SEPE Monplaisir	Operation of wind farms	-	France	100%	4	21	(3)
SAS SEPE D'Aussac Vadalle	Operation of wind farms	-	France	100%	37	(36)	98
Urgeban Grupo Energético, S.A. (Sole-Shareholder Company)	Development of wind farms	-	Valencia	100%	300	(298)	33
Parque Eólico Ortona Vento, S.R.L.	Operation of wind farms	-	Italy	87.5%	30	(11)	(1)
Parque Eólico Monte Selva, S.R.L.	Operation of wind farms	-	Italy	86.5%	30	(11)	(1)
Sistemas Energéticos el Valle, S.L.	Operation of wind farms	-	Navarre	100%	3	-	-
Sistemas Energéticos Fonseca, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(72)	(33)
Sistemas Energéticos del Umia, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(3)	(6)
Sistemas Energéticos Cuntis, S.A.	Operation of wind farms	-	A Coruña	100%	61	(3)	(9)
Parque Eólico do Picoto, S.A.	Operation of wind farms	-	Portugal	100%	(15)	(1)	(14)
Sistemas Energéticos La Cámara, S.L.	Operation of wind farms	-	Seville	100%	3	-	-
Sistemas Energéticos Alto do Seixal, S.A.	Operation of wind farms	-	A Coruña	100%	61	(36)	(231)
Energies Renouvelables Development, S.A.R.L.	Development of wind farms	-	France	100%	9	(15)	(1)
Sistemas Energéticos Fuerteventura, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Canary Islands	100%	61	(7)	(1)
Sistemas Energéticos Arico, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Canary Islands	100%	61	(5)	(2)
Sistemas Energéticos Alto de Croa, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(46)	(2)
Sistemas Energéticos Cabanelas, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	A Coruña	100%	61	(8)	(1)
Sistemas Energéticos Sierra de Costanazo, S.A.	Operation of wind farms	-	Valladolid	60%	61	(4)	-
Abruzzo Vento, Srl	Construction and operation of wind farms	-	Italy	90%	30	(42)	(2)
Sistemas Energéticos Quiñonería, S.A.	Operation of wind farms	-	Valladolid	60%	191	(5)	-
Eólica Da Cadeira, S.A.	Development of wind farms	-	A Coruña	65%	60	(31)	(9)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Thousands of euros		
					Share capital	Reserves	Profit (Loss) for the year after tax
EBV Holding Verwaltung GMBH	Development of wind farms	-	Germany	100%	25	14	-
Stipa Nayaa, Sociedad de Capital Variable (*)	Operation of wind farms	-	Mexico	85%	-	-	-
EBV WP Nr. 29 GmbH & Co. KG	Operation of wind farms	-	Germany	100%	5	(2)	-
EBV WP Nr. 30 GmbH & Co. KG	Operation of wind farms	-	Germany	100%	5	(2)	-
EBV WP Nr. 31 GmbH & Co. KG	Operation of wind farms	-	Germany	100%	5	(2)	-
Gamesa Energía Zaragoza, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Zaragoza	100%	3	-	(1)
Gamesa Energía Teruel, S.L. (Sole-Shareholder Company)	Development of wind farms	-	Teruel	100%	3	-	(1)
Societe Du Parc Eolien de la Valliere	Operation of wind farms	-	France	51%	37	(21)	162
Gamesa Energía Galicia S.L., Sole-Shareholder Company (*)	Development of wind farms	-	Galicia	100%	3	-	(23)
Sistemes Energetics Passanant, S.L., Sole-Shareholder Company (*)	Operation of wind farms	-	Barcelona	100%	3	-	(1)
Sistema Energético El Olivar, S.L. (Sole-Shareholder Company). (*)	Operation of wind farms	-	Zaragoza	100%	3	-	-
Sistemas Energéticos Boyal, S.L. (*)	Operation of wind farms		Zaragoza	59.98%	3	-	-
Energiaki Arvanikos, EPE (*)	Operation of wind farms	-	Greece	100%	5	-	(63)
Gamesa Energía S.R.L.de CV (*)	Development of wind farms	-	Mexico	99%	-	-	-
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Operation of wind farms	-	Granada	83.29%	45	(2)	(4)
Sistemas Energéticos Loma del Viento, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Las Canteras, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Los Claveros, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Egea, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Sierra de Lucar, S.A. Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Sierra de Oria, S.A.U.	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Sierra de las Estancias, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Almirez, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Caniles, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos El Periate, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Mojonera, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Zujar, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Cuerda Gitana, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Capellán, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos las Pedrizas, S.A. (Sole-Shareholder Company)	Operation of wind farms	-	Seville	100%	61	(3)	-
Sistemas Energéticos Jaralón, S.A. (Sole-Shareholder Company)	Development of wind farms	-	Vizcaya	100%	61	(39)	(179)
Parco Eolico Piano Di lopa, S.R.L	Operation of wind farms	-	Italy	100%	30	(11)	(3)
SAS SEPE de la Souterraine	Operation of wind farms	-	France	100%	37	(14)	(5)
Energiaki Pilou - Methonis, S.A.	Operation of wind farms	-	Greece	100%	60	(41)	(8)
Energiaki Polimilou, S.A.	Operation of wind farms	-	Greece	100%	14,476	(67)	(201)
Energiaki Ptoon, S.A.	Operation of wind farms	-	Greece	100%	15,753	(48)	(192)
Taciewo sp. Zoo. W Organizacji	Operation of wind farms	-	Poland	100%	14	(18)	(9)
Pielplin sp. Zoo. W Organizacji	Operation of wind farms	-	Poland	100%	14	(17)	(25)
Southern Windfarm sp. Zoo. W Organizacji	Operation of wind farms	-	Poland	100%	14	(10)	(5)
Sistemes Energetics Conesa I, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Barcelona	100%	3	332	554
Vento Artabro, S.A.	Development of wind farms	-	A Coruña	80%	61	(16)	(13)

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Thousands of euros: Share capital	Thousands of euros: Reserves	Thousands of euros: Profit (Loss) for the year after tax
Xeneración Eólica de Galizia S.A.	Development of wind farms	-	Santiago de Compostela	65%	60	(8)	-
Zuromin Sp. Z.o.o.	Operation of wind farms	Deloitte	Poland	100%	15	(9)	(6)
Krzecin Sp. Z.o.o.	Operation of wind farms	Deloitte	Poland	100%	15	(7)	(5)
Parco Eolico Tuturano S.R.L.	Operation of wind farms	-	Italy	100%	30	(6)	(2)
Parco Eolico Prechicca S.R.L.	Operation of wind farms	-	Italy	100%	30	(6)	(2)
Parco Eolico Monte Maggio Scalette S.R.L.	Operation of wind farms	-	Italy	100%	30	(6)	(2)
Sistemas Energéticos Monte Genaro, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Vizcaya	100%	3	(1)	-
Sistemas Energéticos Sierra de Valdefuentes, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Vizcaya	100%	3	(1)	-
Sistemas Energéticos Sierra del Carazo, S.L. (Sole-Shareholder Company)	Operation of wind farms	-	Vizcaya	100%	3	(1)	-
Carscreugh Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Harelaw Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Trane Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Shap Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Foel Fynyddau Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Watford Gap Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Pencoed Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Aberchalder Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Windfarm Ringstedt II, GmbH	Operation of wind farms	-	Germany	100%	25	(761)	(335)
Toftingall Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Llynfi Renewable Energy Park Ltd.	Operation of wind farms	-	UK	100%	-	-	-
Llanfynydd Renewable Energy Park Ltd.	Operation of wind farms	-	US	100%	-	-	-
Coemga Renovables 1 ,S.L. (*)	Operation of wind farms	-	Barcelona	75%	3	-	-
Coemga Renovables, S.L. (*)	Operation of wind farms	-	Barcelona	75%	3	-	-
Windfarm Gross Hasslow GmbH	Operation of wind farms	-	Germany	100%	25	(316)	(291)
Windfarm Hiddels II / Ellenserdamm GmbH	Operation of wind farms	-	Germany	100%	25	(871)	(16)
A.2 Manufacture of WTGSs							
Gamesa Eólica, S.L. (Sole-Shareholder Company)	Wind-powered facilities	Deloitte	Navarre	100%	3	381,080	15,437
Gamesa Innovation & Technology, S.L. (Sole-Shareholder Company)	Manufacture of moulds, blades and provision of central services (engineering)	Deloitte	Navarre	100%	2,895	552,792	59,432
Estructuras Metálicas Singulares, S.A.	Manufacture of wind generator towers	Deloitte	Navarre	100%	61	5,825	(34)
Gamesa Wind Engineering, APS	Engineering services	-	Denmark	100%	19	302	(537)
Gamesa Wind, GmbH	Wind-powered facilities	-	Germany	100%	995	(10,390)	887
Gamesa Eólica Italia, S.R.L.	Wind-powered facilities	Deloitte	Italy	100%	100	1,950	(3,584)
Gamesa Wind UK Limited	Manufacturing and holding company	-	UK	100%	-	-	(11)
Gamesa Lanka Private Limited (*)	Manufacturing and holding company	-	Sri Lanka	100%	39	(1)	(1)
Gamesa Wind Romania, SRL	Development of wind farms	-	Romania	100%	-	(33)	1,893
Gamesa Singapore Private Limited (*)	Manufacturing and holding company	-	Singapore	100%	-	-	(6)
Gesa Eólica Honduras, S.A. (*)	Manufacturing and holding company	-	Honduras	100%	-	-	-
Gamesa Eólica VE, C.A. (*)	Manufacturing and holding company	-	Venezuela	100%	18	(18)	-
RSR Power Private Limited (*)	Manufacturing and holding company	-	India	75%	-	-	-
Windar Renewable Energy Private Ltd. (*)	Manufacturing and holding company	-	US	32%	9	-	-
Gamesa II Eólica Portugal Sociedade Unipessoal Lda	Wind-powered facilities	-	Portugal	100%	960	919	132
Gamesa Wind Turbines Private Ltd	Wind-powered facilities	-	India	100%	3,768	(2,279)	246
Gamesa Blade Tianjin Co Ltd.	Design, manufacture and assembly of blades	Ernst & Young	China	100%	12,000	12,804	9,190
Gamesa (Beijing) Wind Energy System Development Co Ltd.	Manufacture of wind-power components and wind farm maintenance	-	China	100%	200	(3,813)	1,137
Gamesa Wind Tianjin Co Ltd.	Manufacture of wind-power components	-	China	100%	8,198	66,196	41,255

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of direct and indirect ownership	Thousands of euros: Share capital	Thousands of euros: Reserves	Thousands of euros: Profit (Loss) for the year after tax
Gamesa Trading Co., Ltd.	Purchase and sale of raw materials (Trader)	Deloitte	China	100%	49	16	(29)
Gamesa Wind Bulgaria, EOOD	Manufacture, construction and operation of wind farms	-	Bulgaria	100%	3	-	711
Gamesa Eolica France SARL	Wind-powered facilities	Deloitte	France	100%	8	3,236	423
Gamesa Electric, S.A. (Sole-Shareholder Company)	Manufacture and sale of electronic equipment	Ernst & Young	Vizcaya	100%	9,395	2,158	590
Cantarey Reinosa, S.A. (Sole-Shareholder Company)	Manufacture of electricity generators	Ernst & Young	Cantabria	100%	4,217	20,329	3,761
Enertron, S.L. (Sole-Shareholder Company)	Manufacture of electronic elements	Ernst & Young	Madrid	100%	301	5,725	2,239
Valencia Power Converters, S.A. (Sole-Shareholder Company)	Manufacture and sale of electronic equipment	Ernst & Young	Valencia	100%	61	16,796	4,245
Gamesa Energy Transmisión, S.A. (Sole-Shareholder Company)	Manufacture of wind-power components	Ernst & Young	Vizcaya	100%	21,660	27,352	9,450
Especial Gear Transmission, S.A. (Sole-Shareholder Company)	Manufacture of gear assemblies	Ernst & Young	Vizcaya	100%	732	(1,137)	1,512
Fundición Nodular del Norte, S.A. (Sole-Shareholder Company)	Iron smelting	Ernst & Young	Burgos	100%	1,200	1,101	183
Transmisiones Eólicas de Galicia, S.A. (Sole-Shareholder Company)	Manufacture of wind-power components	Ernst & Young	A Coruña	100%	695	1,950	147
Gesa Eólica Mexico, SA de CV (*)	Wind-powered facilities	-	Mexico	100%	3	(540)	370
Gamesa Wind Poland Sp zoo	Wind-powered facilities	Deloitte	Poland	100%	13	5,212	(3,314)
Parque Eólico Dos Picos, S.L. (Sole-Shareholder Company)	Operation of wind farms	Deloitte	Vizcaya	100%	1,229	(136)	157
Gamesa Morocco, SARL	Wind-powered facilities	-	Morocco	100%	1	111	153
Gamesa Wind Energy Services, Ltd (*)	Manufacturing and holding company	-	Turkey	100%	-	(3)	(75)
Gamesa Eólica Costa Rica, S.R.L. (*)	Manufacturing and holding company	-	Costa Rica	100%	-	-	16
Gamesa Wind Sweeden, AB (*)	Manufacturing and holding company	-	Sweden	100%	5	5	77
Gamesa Japan Kabushiki Kaisha	Manufacturing and holding company	-	Japan	100%	18	(488)	(9,499)
Gamesa Wind Hungary KTF	Manufacturing and holding company	-	Hungary	100%	12	269	2,167
Gamesa Eolica Greece E.P.E.	Manufacturing and holding company	-	Greece	100%	18	17	343
EOLO RE, S.A.	Reinsurance	-	Luxembourg	100%	3,000	13	-
Jiling Gamesa Wind Co., Ltd. (*)	Manufacturing and holding company	-	China	100%	1,630	67	(162)
Inner Mongolia Gamesa Wind Co.,Ltda. (*)	Manufacturing and holding company	-	Mongolia	100%	1,651	48	(89)
Gamesa Ireland Limited (*)	Manufacturing and holding company	-	Ireland	100%	-	-	591
Gamesa Estonia OÜ (*)	Manufacturing and holding company	-	Estonia	100%	3	-	(2)
Gamesa Canada ULC (*)	Manufacturing and holding company	-	Canada	100%	-	-	-
B) GAMESA NUEVOS DESARROLLOS GROUP							
Gamesa Nuevos Desarrollos, S.A. (Sole-Shareholder Company)	Development of electricity facilities	-	Vizcaya	100%	61	(2,103)	1,136
Gamesa Eólica Brasil, Ltd.	Management of electricity facilities	-	Brazil	100%	4,254	(3,722)	(101)
C) GAMESA TECHNOLOGY CORPORATION GROUP							
Gamesa Technology Corporation, Inc	Administrative management services	Deloitte	US	100%	24,942	(87,830)	(2,222)
Fiberblade, LLC	Wind-powered facilities	Deloitte	US	100%	1	(16,171)	15,129
Gamesa Wind US, LLC	Wind farm maintenance services	Deloitte	US	100%	88	(84,345)	(58,394)
Gamesa Wind, PA, LLC	Manufacture and assembly of wind generators	Deloitte	US	100%	81	(132,057)	43,483
Gamesa Energy USA, Inc.	Development of wind farms	Deloitte	US	100%	1,691	9,765	(1,107)
Fiberblade East, LLC	Wind-powered facilities	Deloitte	US	100%	1	(36,633)	(2,489)
Towers & Metallic Structures, Inc.	Manufacture of wind generator towers	Deloitte	US	100%	2,211	(32,312)	4,149
Allegheny Wind Expansion, LLC	Operation of wind farms	-	US	100%	-	-	-
Cedar Cap Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Crescent Ridge II, LLC	Operation of wind farms	-	US	100%	-	-	-
Chestnut Flats Wind, LLC	Operation of wind farms	-	US	100%	1	-	-
Eagle Rock Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Elk Falls Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Gulf Ranch Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Jackson Mountain Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Mahantango Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Rock River Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Nescopeck Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Sandstone Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Pine Grove Wind, LLC	Operation of wind farms	-	US	100%	-	-	-
Shaffer Mountain Wind, LLC	Operation of wind farms	-	US	100%	-	-	-

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

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

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**

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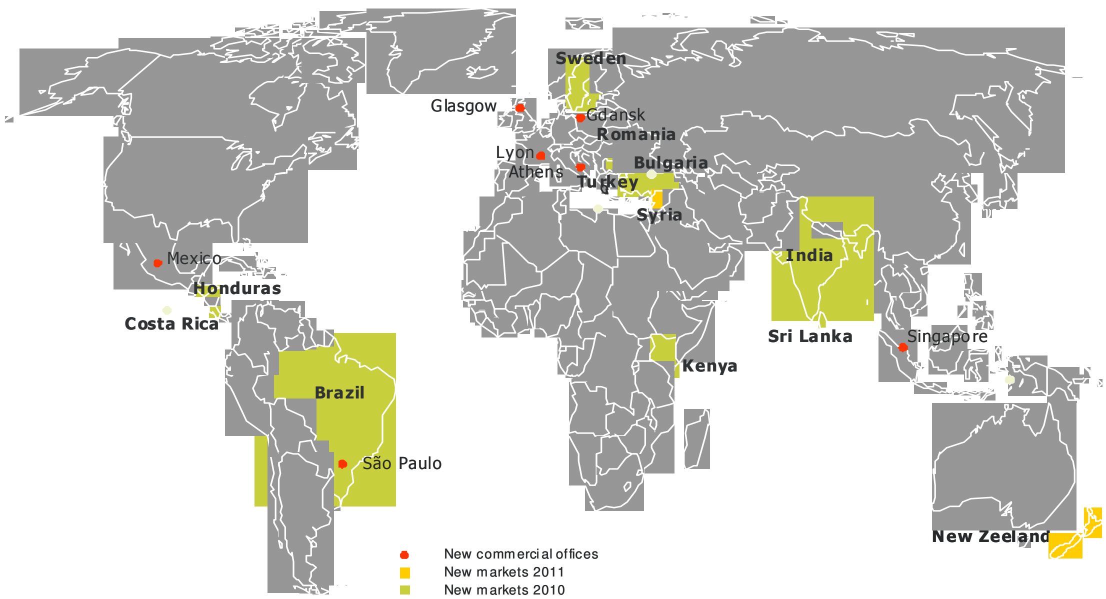
[1] Gamesa Corporación Tecnológica manufactures wind turbines and develops, builds and sells wind farms
[2] Net free cash flow=Operating cash flow +▼/-▲ working capital +▼/-▲capex
[3] Wind-Turbine division + Holding Company
[4] Gamesa Energía attained € 0.02 million in EBIT in 2010.
[5] ARRA (American 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

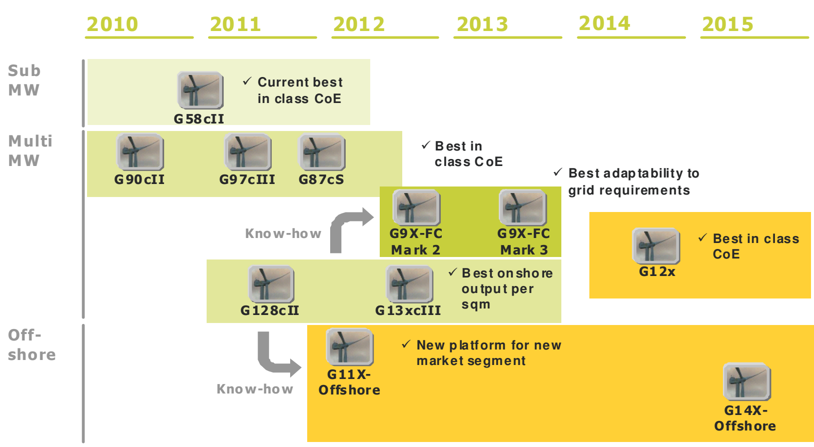
Gamesa has implemented a **3-year business plan (2011-2013) in order to strengthen its lead** in the wind-power market and make it a benchmark in the industry in terms of cost of energy. This objective hinges on three vectors:

- 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**

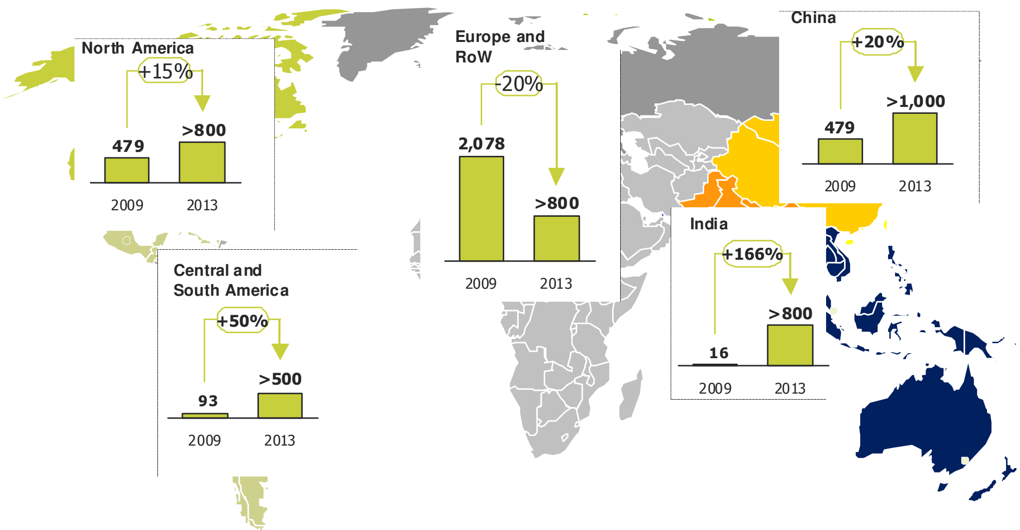


Gamesa's O&M division is playing a crucial role in reducing the cost of energy by maximising plant availability and performance and minimising servicing costs. The company is incorporating O&M expertise into product design with a view to increasing wind-turbine availability and lengthening useful life. 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.

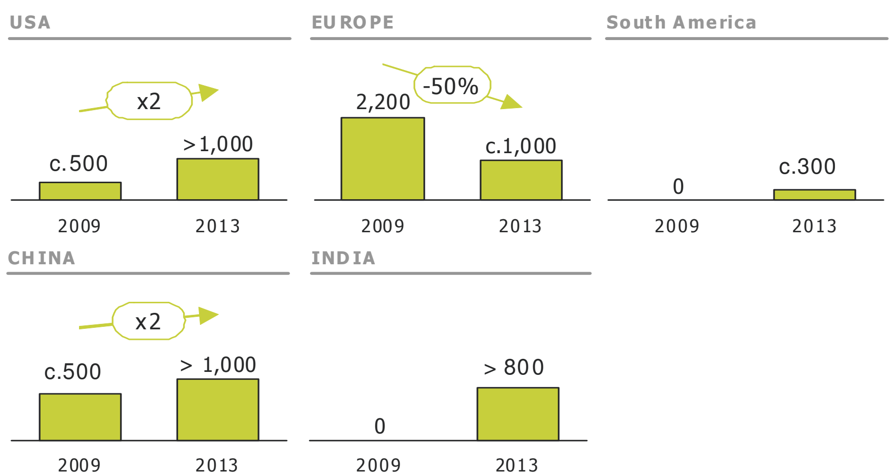
As part of the new business plan, Gamesa will continue to implement measures to improve operating efficiency, particularly tailoring its industrial capacity to demand. Accordingly, **Gamesa plans to reduce capacity in Spain by 50%, to 1,000 MW**, with a cost of approximately € 10 million in 2011 and € 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

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.

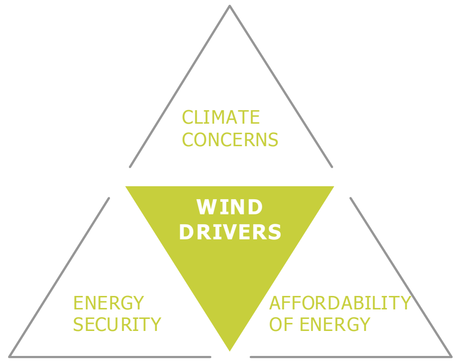
Gamesa requested that the Catalan Institute for Energy Research (IREC) set aside four positions for it to install its wind turbines in the ZÈFIR Test Station offshore wind-testing plant. Gamesa aims to install two fixed platforms (3.5 km from the coast) and two floating platforms (8 km) in the ZÈFIR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

Growth outlook in the wind-energy sector

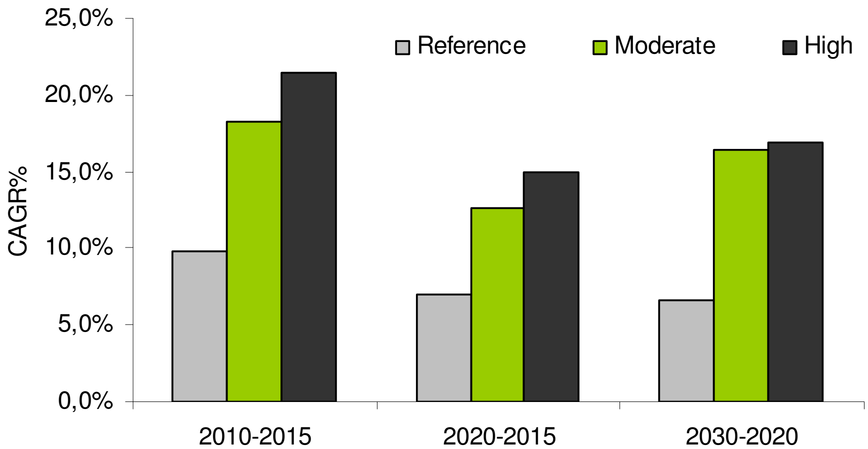
The financial crisis and its impact on demand in 2009, together with the persistent weak macroeconomic scenario, negatively impacted wind-energy development, which declined for the first time in 20 years, according to data from the Global Wind Energy Council (from 38.6 GW installed in 2009 to 35.8 GW 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.