ACTIVITY REPORT

Madrid, 28 February 2013

January-December 2012 Results

FULFILMENT OF 2012 OBJECTIVES[1] AND LAUNCH OF BP 2013-2015 FOCUSED ON PROFITABILITY AND VALUE CREATION IN A CONTEXT OF LOWER GROWTH

[2] results before extraordinary items for 2012 are in line with guidance for the year: 2,119 MWe sold, positive EBIT before extraordinary items for the group and WTG[3], and net financial debt of € 495 million, after obtaining € 690 million in net free cash flow in 4Q and € 216 million in the year. However, group net profit was impacted by extraordinary items totalling € 600 million, resulting from aligning the balance sheet with the new market reality and the Business Plan 2013-2015, which was presented and implemented in the fourth quarter of 2012.

Main consolidated figures[4] 2012

- **Sales:** € 2.844 billion (-6.2% y/y)
- **EBIT before extraordinary items:** € 5 million
- **Net Income before extraordinary items:** € -59 million
- **Extraordinary items:** € 600 million (net)
- **Net Income:** € -659 million
- **Net Financial Debt:** € 495 million

Wind Turbine Division - Main figures 2012

- **MWe sold:** 2,119 (-24.4% y/y)
- **EBIT margin before extraordinary items** 0.9%
- **Order[5] intake in 4Q 2012:** 571 MW
- **Order book at 31/12/2012:** 1,657 MW

Group sales amounted to € 2.844 billion, i.e. 6.2% lower than in 2011, **due to the strategy of aligning production to deliveries and collections in the Wind Turbine division, in a context of a slowdown in demand.** That slowdown is attributable to the weak situation in the developed economies and to regulatory changes and grid limitations in emerging markets, such as India and China. As a result, the Wind Turbine division ended the year with sales volume of 2,119 MWe, i.e. a decline of 24% compared with 2011. In contrast, the O&M unit proved to be more resilient to the weak economic situation, and obtained revenues of € 344 million, 23% higher than in 2011. The unit ended 2012 with 19,111 MW under maintenance, an increase of 17% compared with December 2011

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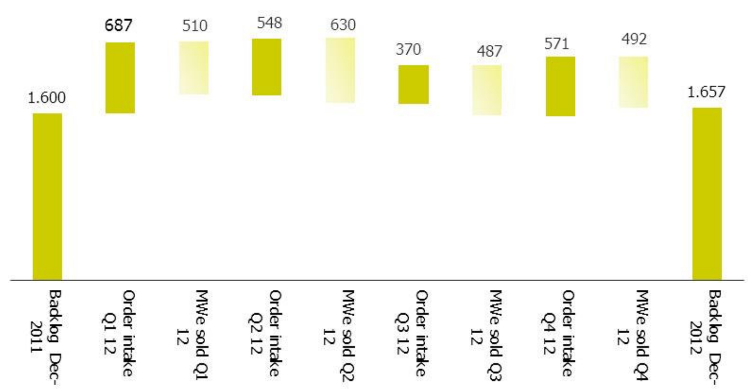
1 Objectives excluding extraordinary items and before discontinuing Gamesa Energia's operations in the US, which are now up for sale.
2 Gamesa Corporación Tecnológica engages in wind turbine manufacture (referred to in this document as Wind Turbines) and the development, construction and sale of wind farms (referred to in this document as Wind Farms or Gamesa Energía).
3 Wind Turbines includes manufacturing and O&M services.
4 Consolidated figures excluding restructuring costs and including Gamesa Energy in the US.
5 Firm and irrevocable orders and confirmation of framework agreements for delivery in the same year and future years.

(16,300 MW). As a result, **total revenues in the Wind Turbine division declined by 13% y/y, to € 2.492 billion.**

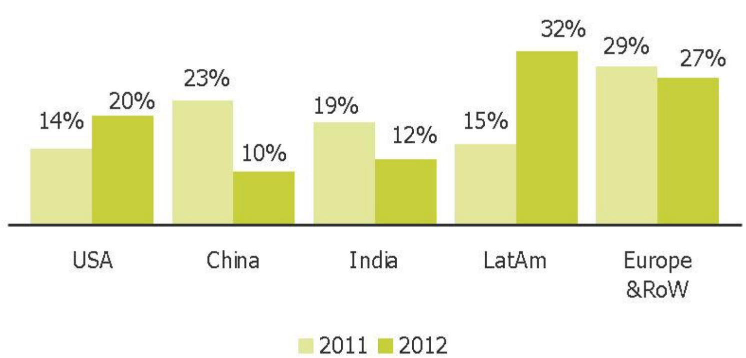
In a complex market scenario and with demand expected to decline in 2013, **the company's sales diversification strategy continues to provide positive results,** with an order intake for 2013 and subsequent years amounting to 571 MW in the fourth of 2012, bringing **the total order intake in 2012 to 2,176 MW.** As a result, the company ended the year with an order book of 1,657 MW, i.e. 4% higher than in December 2011 and **covering more than 50% of the projected sales volume for 2013.** The company has a solid position in growth markets, particularly Latin America, which accounted for 47% of the year's order intake and is becoming the main driver of growth in global demand for wind turbines in the next three years. This positioning partly offset the decline in orders from markets such as China, India and Europe which accounted for almost 71% of total order intake in 2011.

Order book (MW)



The geographical breakdown of Wind Turbine sales in 2012 (see figure) reflects the company's diversified sales and positioning in Latin America.

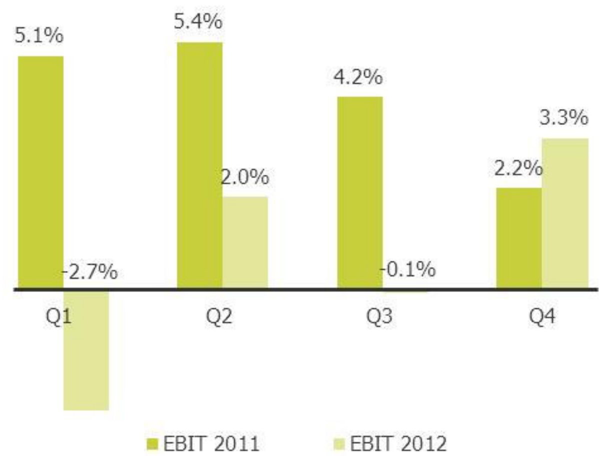
Geographical breakdown of MWe sold (% of total), 2012



The first contract for the multi-MW platform was signed in 2012: four units of the G128-4.5 MW for the Simo wind farm in Finland. This contract is Gamesa's first sale in Finland and strengthens the company's foothold in northern Europe. The sale also includes a 10-year O&M contract, with scope for a 5-year extension, and a framework agreement for another 117 units of the G128-4.5 MW turbine. By the end of 2012 54 MW of the framework agreement had become firm order for delivery in 2013-2014.

The decline in activity in the Wind Turbine division, together with ongoing pressure on prices and the cost of launching the new 2 MW and multi-MW platforms, had **a clear impact on the division's profitability, leading to a 3 percentage point decline in the EBIT margin before extraordinary items for the year.** Consequently, **Wind Turbines** ended 2012 **with EBIT before extraordinary items of € 22 million, i.e. an EBIT margin of 0.9%.** However, the evolution of quarterly profitability was positive, reflecting the initial impact of cost saving measures that were implemented throughout the year. As a result, the EBIT margin for the fourth quarter of 2012 was 3.3%, i.e. one percentage point higher than in the same period of 2011 (see figure).

Performance of EBIT margin before extraordinary items

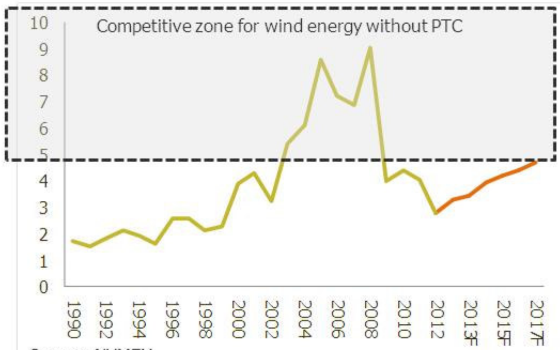


Wind Farm division profitability also suffered the deterioration of the market conditions where it operates, especially in the US and southern Europe**. As a result, the division ended 2012 with operating losses before extraordinary items of € 48 million,** despite the notable increase in activity, with deliveries of 694 MW in 2012, i.e. almost four times the deliveries in 2011. Deterioration was most notable in the US; excluding that market, Gamesa Energía would have obtained EBIT before extraordinary items of € 25 million in 2012.

The worsening of conditions in the US market, attributable to low gas prices and regulatory volatility, led Gamesa to halt the wind farm development activity there and put its US wind farm development business up for sale, with the result that it is now classified as a discontinued operation, with a net book value of € 104 million. Nonetheless Gamesa maintains the wind turbine manufacturing and sale activity and the operation and maintenance services.

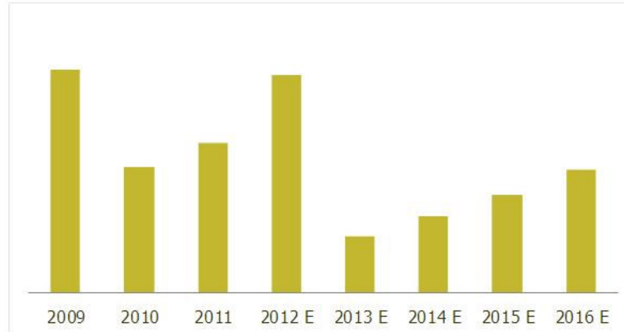
The performance of gas futures prices and volatility in demand contributed to the decision to abandon wind farm development in the US.

Gas price performance (USD/MMBtu)



Source: NYMEX

Annual installations (MW)



Source: MAKE Market Report March 2012

As a result of the impact of the weak, complex market on Wind Turbines and Wind Farm profitability, **Gamesa Corporación Tecnológica ended 2012 with a EBIT before extraordinary items of € 5 million,** materially lower than the EBIT in 2011.

With a view to returning to profitability and value creation in a market context of lower growth, and following the appointment in the first half of 2012 of **a new management team with extensive industrial experience in the automotive sector,** Gamesa has defined **a new business plan for the next three years (BP 2013-2015)**. The plan was implemented in the fourth quarter of 2012, during which time significant progress was made on two fronts: **reducing financial leverage and resizing the group's structure**.

As part of its financial deleveraging, and in line with its commitments, **Gamesa ended 2012 with net financial debt of € 495 million**, after obtaining € 690 million in **free cash flow** in the fourth quarter (**€ 216 million in 2012**), and complying with banking covenants.

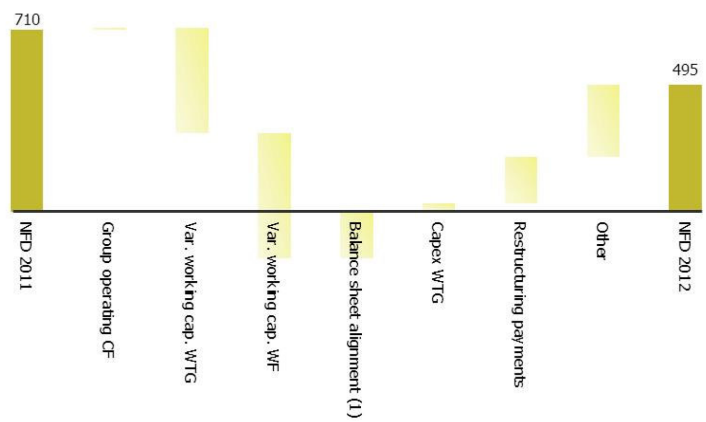
Strong cash flow was supported by a significant decline in working capital in both Wind Turbines and Wind Farms, and by control of capital expenditure, all aligned with the strategy in the new business plan.

Wind Turbines reduced the working capital-to-sales ratio to 12%, compared with 24% at 2011 year-end and 27% at the end of the third quarter of 2012. This reduction was obtained as a result of installations (2,625 MW) and deliveries (2,495 MW) exceeding the level of activity. **The Wind Farm division** delivered 694 MW in 2012 (compared with 177 MW in 2011), of which 440 MW in the fourth quarter of 2012. It also **reduced working capital to € 184 million[6], compared with € 670 million in 2011 and € 784 million in Q3 2012.**

As part of the strategy to focus capital expenditure in accordance with the size of the business and the need to optimise the Cost of Energy (CoE) to benefit the customer, **Gamesa ended 2012 with total capital expenditure of € 190 million, i.e. 17% lower than in 2011.** The investment includes adapting manufacturing capacity to the new 2 MW and 4.5 MW platforms, developing an industrial presence in India and Brazil, and developing the first offshore prototype.

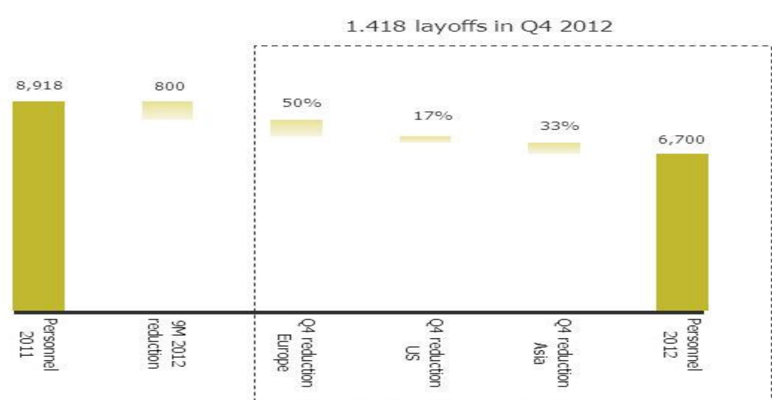
[6] Gamesa Energy's working capital prior to the discontinuation of operations in the US. This division's working capital after the discontinuation of the wind farm development and sales business in the US amounts to € 158 million.

Group NFD evolution



As part of resizing the group structure in line with an efficient business model and a market with lower growth, Gamesa has put in place **measures to reduce spending that cover 90% of the objective established for 2013.** Agreements were reached in the fourth quarter in all geographic areas to adapt internal and external staff numbers to the company's new size. Those agreements led to 1,418 lay-offs in the fourth quarter and 2,218 in 2012, with associated gross annualised savings of € 98[7] million and restructuring costs of € 24 million. Of the total personnel reduction 1,215 positions are related to corporate functions or structure and the remaining to operations. R&D resources were concentrated in Spain, and multidisciplinary teams were put into place with the integration of technology and quality teams in the manufacturing units to improve operating excellence.

Workforce in 2012



In addition to lay-offs**, Gamesa closed 24 facilities in 2012, i.e. 15% of the total number of operating facilities at the beginning of the year** (offices, regional O&M centres, and manufacturing plants). Closure of those facilities, detailed below, will enable Gamesa to save around € 5 million gross per year.

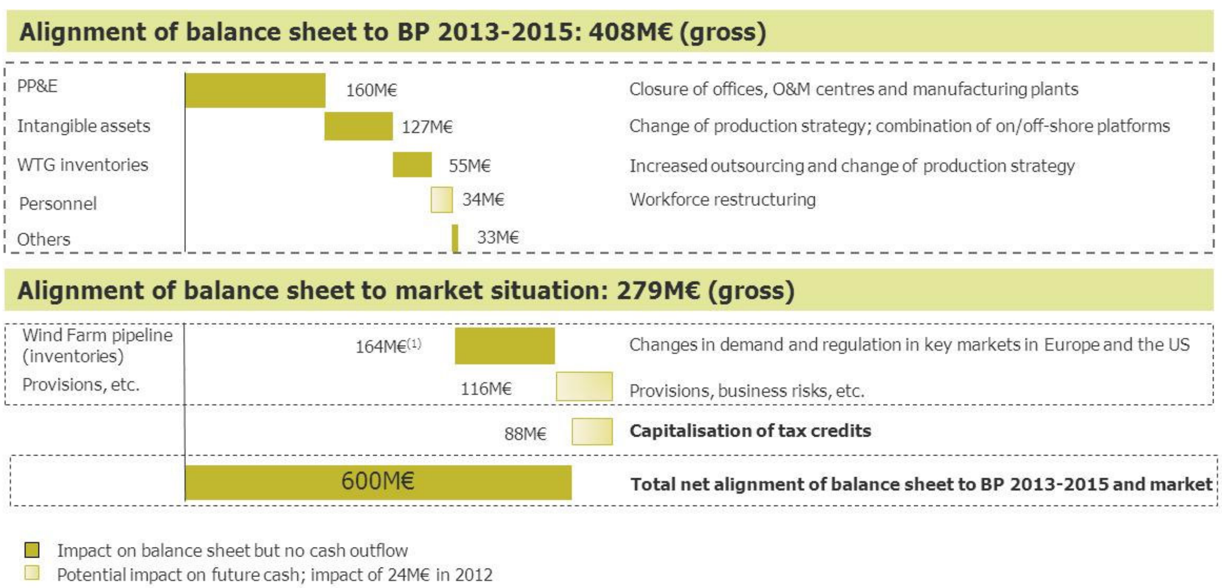
[7] Equivalent gross annual expense (12 months) (includes external and internal employees working both in corporate services –fixed costs- and manufacturing plants – variable costs-)

I. **6 manufacturing plants**
   a. Blade plant in Tianjin (G5-850kW) and 3 nacelle and subcomponent assembly plants in Tianjin, Inner Mongolia and Jilin
   b. Closure of tooling and nacelle production plant in Spain; concentration of nacelle production for the 2 MW platform in Agreda

II. **4 regional O&M centres** in Spain

III. **14 offices,** of which**:**
   a. 11 in Europe (7 in Spain)
   b. 2 in Asia
   c. 1 in the US

Implementation of the BP 2013-2015 also required **that the company's balance sheet be redimensioned into line with the new operating model and product strategy, and also with slower market growth.** This redimensioning led to a number of adjustments in the balance sheet with a net total impact of € 600 million on the bottom line. Those adjustments, detailed in the financial section, are illustrated below.



1. 111M€ corresponding to the US and 53M€ to other key markets. After assessing the prospects for the US market, Gamesa decided to put its US wind farm pipeline (net book value: 104M€) up for sale; consequently, it is now booked as a discontinued operation.

After balance sheet restoration, Gamesa has a sound equity position (€ 1,029 million) and NFD amounts to 48% of capital, i.e. similar to the position at 2011 year-end (43%); combined with a total of € 2,200 million in available credit lines, this position will enable the company to implement the plan organically without needing to issue equity.

Accordingly, Gamesa ended 2012 having fulfilled the targets to which it was committed—2,119 MWe sales, positive EBIT at group and WTG level, and NFD of € 495 million, i.e. 2.5 times group EBITDA—**fulfilling the covenants with the banks and laying the foundations for the new BP 2013-2015**.

Wind Turbines

Key factors

Gamesa's 2012 results reflect the complex situation in the wind power industry, with reduced demand and pressure on prices in the markets which traditionally offered the greatest potential for wind energy development.

Gamesa's Wind Turbine Unit ended 2012 with:

- **2,119 MWe of wind turbines sold**, i.e. exceeding the guidance (2,000 MW) but 24% less than in 2011
- **EBIT before extraordinary items of € +22 million** (0.9% of revenues) as a result of lower volumes (lower absorption of fixed costs) and of price pressure. Including restructuring costs, EBIT amounted to € -498 million
- **and working capital was 12% of sales**, i.e. below the level reported at the end of 2011 (24%) and below the guidance (15-20%) as a result of the reduction in stocks, cash management and the impact of special provisions

The Wind Turbine Division's activity during 2012 can be broken down as follows:

(MW)	**2011**	**2012**	**% chg.**	**Status**
MW delivered to customers	**3,092**	**2,495**	-19%	Handover of ownership to customer, in wind farm, or factory; Invoiced.
+ Variation in MWe available Ex Works	**-787**	**-185**	NA	Variation in stock of WTG available for delivery to customer; Invoiced Ex Works.
+ Variation in MWe Work in Progress	**497**	**-192**	NA	Variation in the stock of WTG not available for delivery to customer; Not invoiced.
MWe sold	**2,802**	**2,119**	-24%	

In 2012, there was a significant reduction in MW WIP (-192 MW vs. 2011) as a result of a tighter focus on aligning production to deliveries and to project assembly and commissioning milestones.

As Gamesa had already announced, its sales are quite diversified:

- **Latin America and the Southern Cone are the region making the largest contribution to sales (32%),** and the main growth driver (Mexico, Brazil, Nicaragua, Uruguay and Puerto Rico)
- **The US accounted for 20% of total sales in the period,** principally because of the agreement signed by Gamesa Energía and Algonquin Power & Utilities Corp.
- **Europe and RoW provided 27% of sales,** mainly driven by deliveries in Italy and the UK in the second half of the year

- As discussed previously, **the contribution by China and India to sales in 2012 was affected by delays in wind project approvals** and changes in the incentives for wind power in India, coupled with higher funding costs in that country. Consequently, **China accounted for just 10% of sales, while India contributed 12%.**

Geographical breakdown of wind turbine sales (MWe) (%)	2011	2012
USA	14%	20%
China	23%	10%
India	19%	12%
Latin America+Southern Cone	15%	32%
Europe and RoW	29%	27%
TOTAL	100%	100%

Additionally, **the Gamesa 2.0 MW segment accounted for 88% of total MW sold** in 2012, compared with 79% in 2011. The Gamesa 850 kW platform accounted for 11% of MWe sold.

Wind Turbine Division Results 2012

Gamesa's Wind Turbine division ended 2012 with the following results:

(million euro)	2011	2012	*Change (%)*	4Q 2012
Sales	2,875	2,492	*-13%*	582
Contribution margin before extraordinary items	554	441	*-20%*	
Contribution margin / Sales (%)	19.3%	17.7%		
EBITDA before extraordinary items	340	206	*-39%*	68
EBITDA/Sales (%)	11.8%	8.3%		11.7%
EBITDA	340	174	*-49%*	46
EBITDA/Sales (%)	11.8%	7.0%		7.9%
EBIT before extraordinary items	116	22	*-81%*	19
EBIT/Sales (%)	4.0%	0.9%		3.3%
EBIT	116	-498	*NA*	-483
EBIT/Sales (%)	4.0%	-20.0%		-83.0%
Net income/ (loss)	61	-502	*NA*	-449
Net income/Sales (%)	2.1%	-20.1%		-77.1%
Working capital	701	288		288
% Sales	24%	12%	*-12pp*	12%
NFD	273	243		243
NFD/EBITDA	0.8x	1.4x	*+0.6x*	1.4x

Audited figures

Sales in 2012 fell by -13% year-on-year, with an increase in the average revenues per MW as a result of the geographic mix, the growing importance of the Gamesa 2 MW turbine, the launch of the G97-2 MW turbine, and the greater proportion of projects with a strong civil engineering component. **The Services unit provided € 344 million in revenues, exceeding the 2011 figure (€ 279 million).**

Gamesa obtained EBIT before extraordinary items of € 22 million in 2012. EBIT was lower than in 2011 due to the reduction in activity (less absorption of fixed costs), price pressure, and the cost of tooling up for new products, partially compensated by fixed cost reduction and

productivity improvements. Including the restructuring costs incurred in 2012, EBIT amounted to € -498 million. The **EBIT margin before extraordinary items recovered steadily during 2012** to 3.3% in 4Q (from 2.2% in 4Q 2011) as a result of the plan to reduce fixed costs as part of the Business Plan 2013-2015.

Warranty provisions (excluding extraordinary effects) were stable at around 3.5% of Wind Turbine.

Gamesa ended 2012 with working capital amounting to 12% of sales, i.e. less than in 2011 (24%) **mainly as a result of the reduction in inventories (finished products, raw materials, and services), management of payments and collections in the period, and the impact of special provisions booked in 4Q.**

Gamesa also maintained strict control over capex to ensure an appropriate return and safeguard the balance sheet. As a result, capital expenditure totalled € 190 million, i.e. less than in 2011 (€ 229 million)

Capex in 2012 was concentrated on:

- R&D for new products and platforms (G97-2.0 MW, G114-2.0 MW, Gamesa 4.5 MW and offshore).
- A blade plant in India for the Gamesa 850 kW and Gamesa 2 MW models
- Adaptation of G97-2.0 MW production capacity
- Investment in manufacturing the Gamesa 4.5 MW platform.
- Entry in Brazil

As a result, **Gamesa's Wind Turbine division ended 2012 with net financial debt of € 243 million**, including a reduction of € 322 million in 4Q due to containment of working capital and to capital expenditure in the period.

Wind Farms

Key factors

In 2012, Gamesa delivered 694 MW in France, Germany, Mexico, Poland, Spain, and the US. The Wind Farm Development and Sales division also signed new sale agreements totalling 555 MW in France, Germany, Greece, Mexico, Spain and the US.

Gamesa's global wind farm pipeline amounted to 18,168 MW at 2012 year-end.

Wind Farm Development Stages (MW)	2011	2012	*% Growth*
Highly Confident	3,953	3,252	*-18%*
Total pipeline	**23,891**	**18,168**	***-24%***

During the fourth quarter of 2012 Gamesa wrote down the value of some pipeline assets, mainly in the US and Europe, on the back of regulatory changes that took place in those markets. These together with the delivery of 694 MW in wind farm assets during 2012, explain the variations in the pipeline.

Within the pipeline, Gamesa has **400 MW in the final stages of construction and commissioning**, i.e. significantly less than in 2011 as a result of the new business model implemented at Gamesa Energía (which does not consume funding).

Note that of the total MW with commissioning (287 MW), **176 MW are assets for sale in the US, 78 MW are in wind farms in Europe + RoW (of which over 40% of farms have end customers) and 33 MW are in R&D wind farms.**

Activity (MW)	2011	2012	*% Growth*
MW under Construction	370	113	*-69%*
MW Commissioned	364	287	-21%
Total	**734**	**400**	**+45%**

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

Wind Farm division results for 2012

The Wind Farm division's results in 2012 reveal:

- **A high level of activity (694 MW delivered)**
- **The impact of changing market conditions on**
  - Returns on the sale agreements signed in 2012
  - Non-recurring provisions amounting to € 111 million
  - The discontinuation of Gamesa Energía USA as a result of the low gas prices and regulatory volatility

The Wind Farm Development and Sale division obtained € 996 million in revenues but € -48 million in EBIT before extraordinary items in 2012 (treating Gamesa Energía USA as a continuing operation); those losses are due to the worsening conditions referred to above. Including restructuring costs, EBIT amounted to € -144 million.

In contrast, **if Gamesa Energía USA is excluded, the Wind Farm Development and Sale Division obtained € 418 million in revenues and € 25 million in EBIT before extraordinary items in 2012.**

The new operating approach at Gamesa Energía, which does not consume funding (based on external financing vehicles and payment milestones similar to those in machine sales) **made a positive contribution to working capital and debt**. The Wind Farm Development and Sale division ended 2012 with € 253 million in net financial debt, in line with the provisions for the year and far below the figures at the end of 3Q 2012 (€ 620 million) and 2011 (€ 438 million).

(million euro)	**2011**	**2012**	*% Chg.*	**2012 Excl. USA**
Sales	534	996	*+87%*	418
EBIT before extraordinary items	26	-48	*-282%*	25
EBIT	26	-144	*-649%*	-5
Net income/ (loss)	1	-189	*NA*	-189
NFD	438	252	*-186*	253

Audited figures

The Consolidated Group's main financial figures appear below.

(million euro)	**2011 (1)**	**2012 (1)**	*% Chg.*	**4Q 2012 (1)**	**2012 Excl. Energía (3)**
Sales	3,033	2,844	*-6%*	**551**	2,673
Contribution margin before extraordinary items	598	453	-24%		
Contrib. margin/Revenues (%)	19.7%	15.9%	-3.8pp		
EBITDA before extraordinary items (2)	364	197	-46%	**57**	234
EBITDA/Sales (%)	12.0%	6.9%	-5.1pp	**10.4%**	8.7%
EBITDA	364	144	-60%	**14**	201
EBITDA/Sales (%)	12.0%	5.1%	-6.9pp	**2.5%**	7.5%
EBIT before extraordinary items(2)	131	5	-96%	**10**	47
EBIT/Sales (%)	4.3%	0.2%	-4.1%	**1.8%**	1.7%
EBIT	131	-631	NA	**-608**	-504
EBIT/Sales (%)	4.3%	-22.2%	-26.5pp	**-110.4%**	-18.8%
Net income before extraordinary items(2)/ (loss)	51	-59	NA	**-10**	-59
Income/ (loss)	51	-659	NA	**-592**	-659
NFD	710	495	-216	**495**	496

Audited figures

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

(2) Results excluding the impact of restructuring in 2012

(3) The results of Gamesa Corporación Tecnológica reflect the impact of discontinuing Gamesa Energía USA

Extraordinary items (EI)

In the current difficult situation for the world economy in general, and the wind power industry in particular, with prospects of slower growth, on 25 October **Gamesa unveiled a Business Plan for the period 2013-2015.** The Business Plan includes the following measures, among others, with an impact on the consolidated financial statements:

- **Rationalise fixed costs.** A leaner structure of fixed costs by reducing the workforce to attain a dimension that is compatible with the current market situation, without inefficiencies, and closing offices and service centres.

- **Adapt the production structure (currently oversized) to demand** projections for the short and medium term, and to the new platforms and product range, in line with existing and projected demand. This reorientation may lead to the closure of manufacturing plants after 2012, depending on demand and on local content requirements.

- **Develop a "Make/Buy" strategy** that applies to all components as the basis for the industrial proposal to accelerate outsourcing of capital-intensive components (e.g. blades).

- **Develop new manufacturing processes**, including notably the use of fibreglass infusion moulding for blade production.

- **Product strategy**, with two basic platforms, focused on developing the 2 MW to 2.5 MW and the 4.5 MW to 5.5 MW. In the latter case, the onshore and offshore versions share common components.

- **A new approach to reducing inventories of products in process and finished products and optimising inventories of raw materials and of components for O&M** as a result of changing the sales mix towards higher value-added services, among other factors. In short, the goal is to reduce working capital so as to strengthen the balance sheet.

- **Discontinue the wind farm development and sale business in the US** because of the regulatory uncertainty and volatility in that country, as part of a strategic reorientation of this division's business model to focus on key markets as sales channels without consuming funding.

- **Maximise utilisation of the supply chains and manufacturing capacity in Spain and China**, focusing constantly on improving the competitiveness of both operations, with nacelle assembly in all key regions.

The goals and action plans arising from the foregoing decisions had an **impact on certain assets (property, plant and equipment, intangible assets, inventories) and other line items.**

Additionally, though not connected directly to the new Business Plan, there were **regulatory changes** in 2012 (e.g. Spain) which affected certain Group assets, and **a number of events and ongoing projects were assessed and found to require provisions for warranties and other contingencies.**

As a result, the Group's income before taxes for 2012 declined by € 688 million, as detailed below:

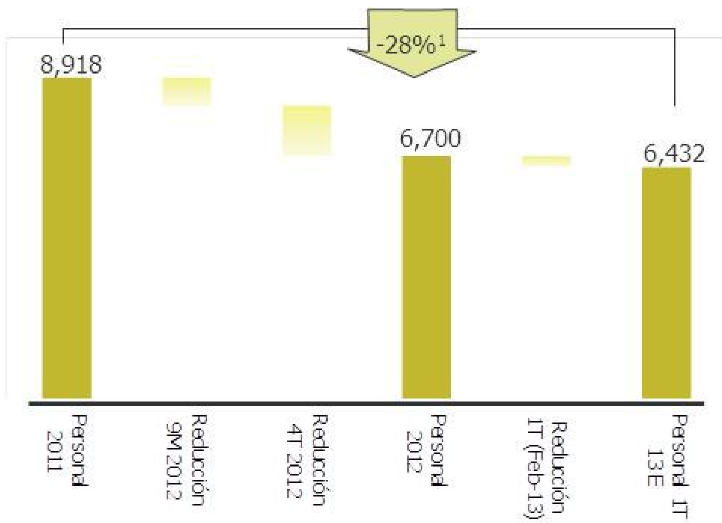
€ million	Continuing	Discontinued	Total
Business Plan			
Property, plant and equipment	(160)		(160)
Intangible assets	(127)		(127)
Inventories	(55)		(55)
Personnel	(33)	(1)	(34)
Provisions, etc.	(33)		(33)
Subtotal	***(407)***	***(1)***	***(408)***
Market situation			
Equity method	(25)		(25)
Wind Farm pipeline (inventories)	(28)	(111)	(139)
Provisions, etc.	(116)		(116)
Subtotal	***(168)***	***(111)***	***(279)***
Total	***(576)***	***(112)***	***(688)***

Outlook

In 2013, Gamesa will continue to implement the steps set out in the business plan in order to ensure profitability in a situation of slower growth.

In the first quarter of 2013, Gamesa plans to have all fixed cost adjustment measures under way with a view to attaining a gross reduction of € 100 million in 2013, compared with the € 368 million in fixed costs booked in 2011. Planned downsizing of staff and external personnel continued in January and February 2013, with 278 departures (in corporate functions and operations), mainly at Gamesa USA. **At the end of February, Gamesa had 6,432 employees, 28% less than at 2011 year-end.**

Personnel expenses (internal and external) in 2011-2013



1. 28% reduction based on estimated data at end of February, not counting additional lay-offs scheduled in March 2013

Another 9 facilities were closed and general expenses are being cut by renegotiating leases or relocating to lower-cost premises. Gamesa is also **optimising its warehouses by merging them into a logistics centre.**

However, the fact that all the fixed cost reduction measures were under way in 1Q 2013 should not be taken as meaning that the process is over. **The size of the company's structure in the future will be shaped by market conditions and demand**, and additional measures may be adopted where necessary to attain the profitability commitments under the plan.

As part of the plan to optimise variable costs, which is vital for the goal of operational excellence, **Gamesa will focus its efforts on the supply chain and internal manufacturing processes in 2013. The scope of the programme to improve costs in the 2 MW platform (9/15) has exceeded initial expectations, which will help offset the continuing pressure on prices.** The latest price index from Bloomberg New Energy Finance corroborates Gamesa's opinion that there is a lack of visibility on demand trends in the short-medium term, as well as constant pressure on prices. Prices have fallen by 4% compared with the July 2012 index and are now 27% below their 2008 peak. The brief upswing in the new platforms has apparently turned into a slight dip in deliveries scheduled for the second half of 2013 (see figure).

Index of average WTG price, by delivery date and platform

1. Source: Bloomberg New Energy Finance (BNEF) 11/02/20133

Within the **supply chain,** Gamesa is working on several fronts to reduce large component manufacturing/procurement costs. These include **exchanging technology and manufacturing know-how with strategic suppliers** in order to reduce internal and external manufacturing costs. Gamesa is also **diversifying its supplier base towards low-cost markets** while maintaining quality standards. This is enabling the group to reduce procurement costs not only directly but also indirectly **by increasing its bargaining power** vis-à-vis the more established suppliers.

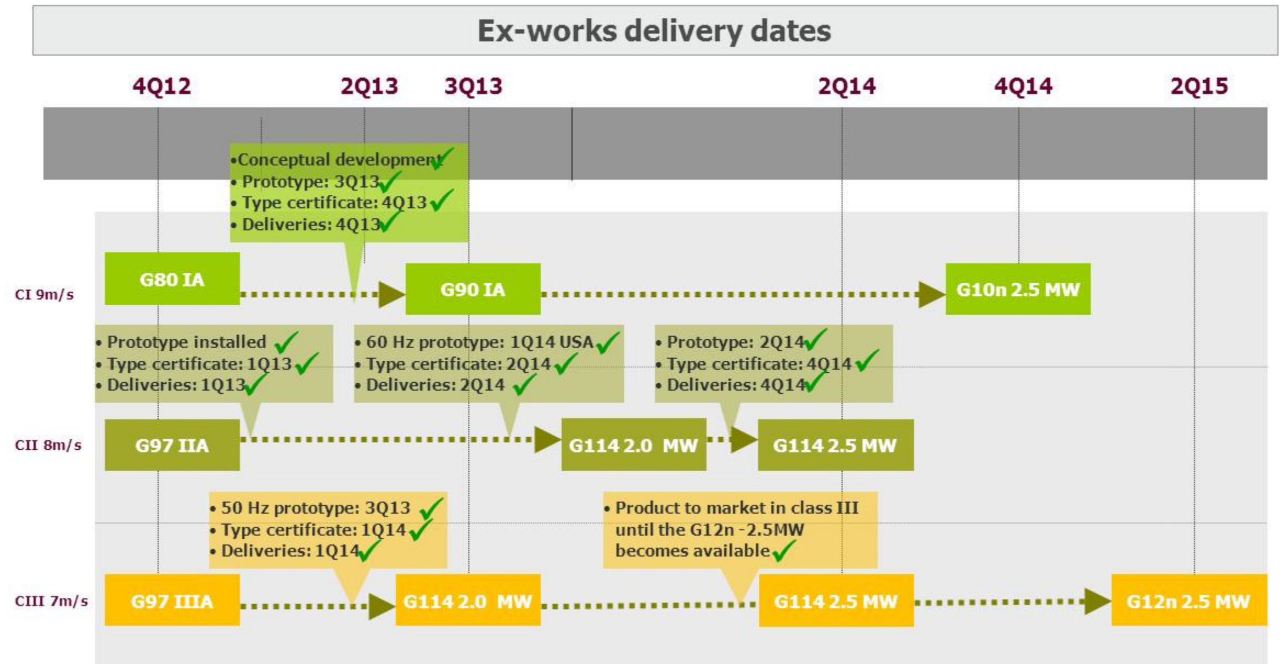
The **process of manufacturing blades by infusion moulding**, which will provide estimated savings of 25% in 2015, **has already been implemented in India** and plans are being made in Europe to use this process for the production of new products for delivery in 2013 and 2014.

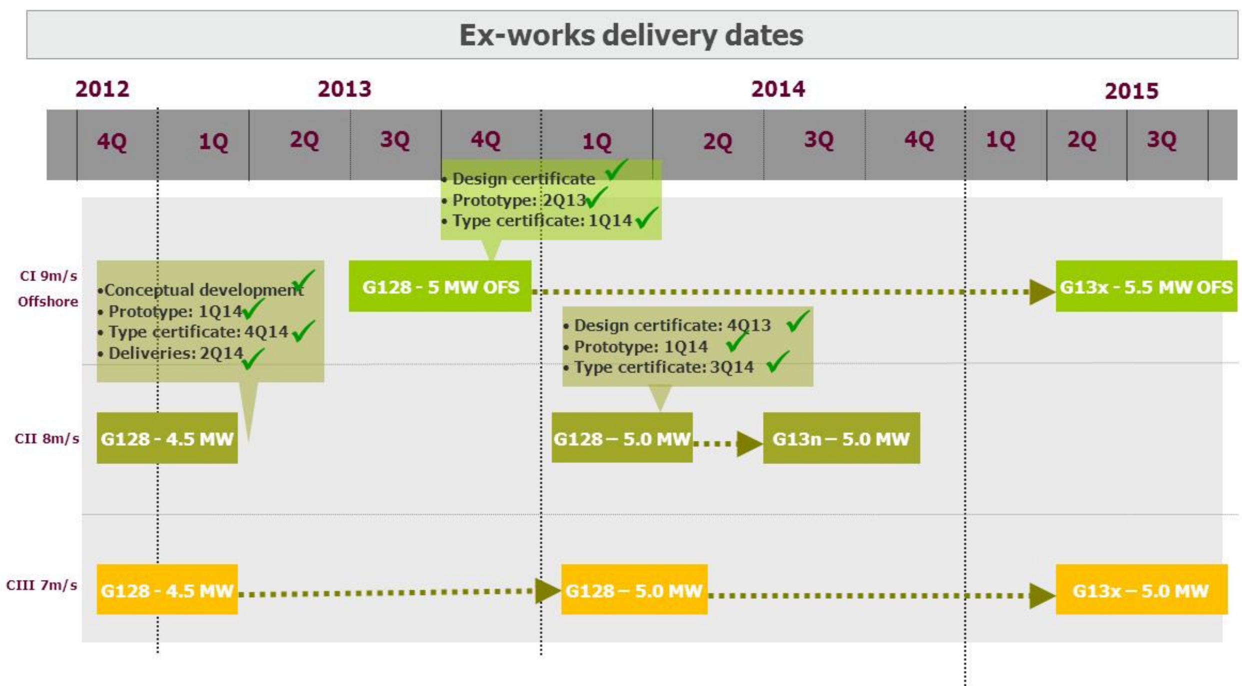
As part of the **"design to manufacturing" strategy, Games has also developed a new tower design** which **materially reduces tower weight and cost, by up to 10-12% in 2015**.

Additionally, new transport systems and tools are being developed to offset the higher logistics costs resulting from greater commercial diversification and more complex projects.

After operational excellence, the second pillar of the BP 2013-2015, i.e. presence throughout the wind value chain with the goal of optimising the cost of energy through technology leadership, is also advancing on schedule. **In January, Gamesa obtained the first Head of Terms under the new business model for wind farm development, covering 183 MW in Germany**; the final contract is expected to be signed in the coming months.

In the Wind Turbine division, the development of new products on the basis of two platforms (2-2.5 MW and 5-5.5 MW) in order to provide our customers with higher IRR and NPV, is also progressing as planned (see product maps below).





In pursuit of the objective to optimise the Cost of Energy for our customers (improve projects' IRR and NPV), the Multi-MW 5/5.5 MW platform plays an important role, especially in northern Europe:

- Markets with space limitations
- Markets where the initial development was carried out for a multi-MW platform

- Markets with repowering potential and no grid limitations
- Markets where towers must be taller (forest areas)

The O&M unit's performance continues to progress in line with the business plan and the target of increasing the contribution from products with high added value and higher margins, with benefits for both the customer and Gamesa. Although the post-warranty retention rate remains at 76%, an improvement is visible in the most recent contracts and the average maintenance period has increased. Of special note are the maintenance contract for 264 MW in the US, and sales contracts for the multi-MW platforms signed in 2012 (72 MW in total), which include 10-year O&M contracts with a possible 5-year extension in the case of the multi-MW platform.

While internal actions in the plan advanced in accordance with the company's projections, **Gamesa maintains its demand outlook for 2013, when it expects a 12% decline** due to the situation in the US and Chinese markets, and a recovery in 2014.

Emerging markets are driving growth in demand for wind facilities in 2013-2015. Demand from those markets is attributable not to environmental commitments but, rather, to energy needs that current generation systems do not cover and which depend excessively on a single resource. For example, India has an energy deficit of 10% on average, Brazil is fully dependent on hydroelectric power (70% of the country's capacity), and China is highly dependent on coal (see table). Moreover, several emerging countries have such strong wind resources, making wind energy more competitive than gas in many cases, e.g. in certain regions of Mexico and Brazil.

China: >60% dependent on coal

•GDP CAGR 2012-2015[2]: 9.3% Net importer of energy[3]

•>60% dependent on coal

•12th Five-Year Plan: 104 GW wind 20152020: 200 GW

India: 10% average electricity shortfall

•GDP CAGR 2012-2015[2]: 8.3% Net importer of energy[3]

• **10% average electricity shortfall**40% of the population does not have access to electricity

•12th Five-Year Plan: 15 GW wind by 2017Vision 2015: 25 GW wind

Brazil: 70% dependent on hydro

•GDP CAGR 2012-2015[2]: 4,9% Net importer of energy[3]

• 70% dependent on hydro

•Strong wind resource: **wind energy is competitive without subsidies**

Mexico: Competitive without subsidies due to strong wind resource

•GDP CAGR 2012-2015[2]: 3.8% Net exporter of energy[3]

•80% oil (56%) and gas

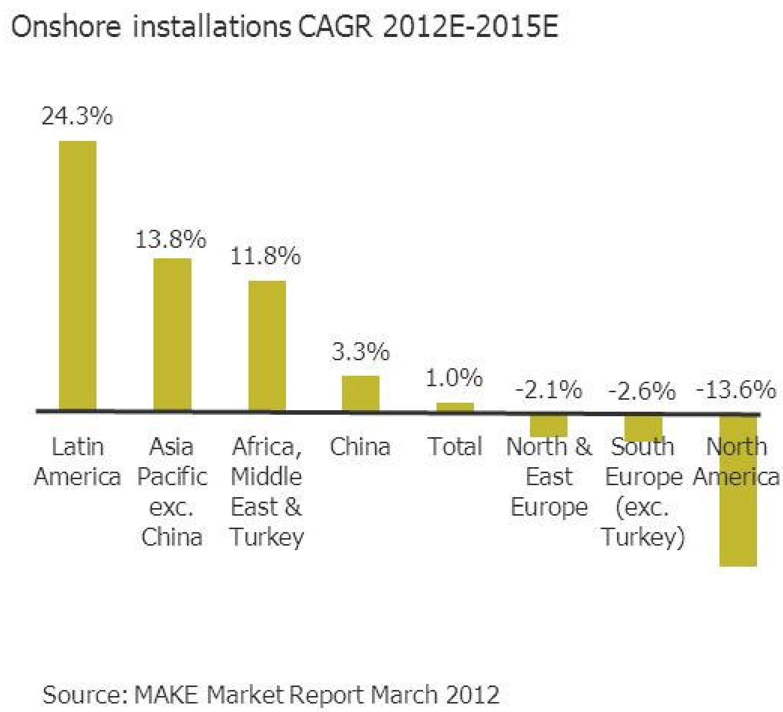
•Strong wind resource: **competitive without subsidies**

(1) IEA (International Energy Agency) "World Energy Outlook 2011"

(2) Source: IMF database (USD, current prices)

(3) Source: World Bank

Among emerging economies, Latin America is expected to grow at the fastest rate in the next three years: around 25%.



Gamesa has a sound position in those markets, based on three key elements:

1. **Local know-how**:
   a. Local teams which work autonomously and can provide quick, flexible solutions to meet customers' needs
   b. Local supply chains and, in some cases, local assembly and manufacturing, thus optimising costs
2. **An understanding of the needs of customers**, not only local utilities and foreign groups with a presence in emerging markets (Brazil and China), but also industrial groups and IPPs (Mexico and India)
3. **Reliability:**
   a. The Gamesa product
   b. Project execution: Understanding the grid connection requirements, administrative regulations and local content requirements, so as to deliver the product on time and avoid penalties for customers.

      Gamesa was among the leading manufacturers in Brazil, Mexico and India by total volume of installations through December; it will strengthen its market share and position in 2013 as a function of the order book and pipeline
      i. Mexico (#1, with 46% of market share)
      ii. India (#4, 10% of market share)
      iii. Brazil (9% of market share in 2012)

This positioning, together with a diversified sales presence, enabled Gamesa to end 2012 with a stable order book (+4% y/y) in a context of declining demand (-12% expected for 2013). This, together with solid progress by measures to reduce fixed costs and improve variable costs, has enabled Gamesa to confirm the 2013 objectives in its Business Plan, despite the complex and uncertain market situation.

	2013 Targets
Volume (MWe)	1.800-2.000
Contribution margin	17%-18%
EBIT Margin	3%-5%
Working capital WTG o/Sales	c.15%
Capex (MM €)	<150
NFD/EBITDA	<2,5X
Net free cash flow	>0

Conclusions

Gamesa ended 2012 in a **sound position to implement the actions in its Business Plan 2013-2015, with no additional external funding needs**, net financial debt of € 495 million, complying with banking covenants, and with access to € 2,200 million in credit lines.

The **plan, launched in the fourth quarter of 2012, is advancing as expected**, with the implementation of actions needed to achieve fixed costs savings of € 100 million in 2013 with respect to 2011. At 2012 year-end, the company had reduced internal and external staff numbers by 2,218 and it eliminated an additional 278 jobs in January and February 2013, **for a total reduction in the workforce of 28% since the beginning of 2012.** On the publication date of this report, the company had closed 33 facilities, including offices, O&M centres, and manufacturing plants, and renegotiated leases or relocated its operations. As announced in the presentation of the Business Plan 2013-2015, R&D resources have been grouped in Spain and multidisciplinary teams have been created as a key factor in pursuit of operating excellence.

Improvement targets in variable costs related to the 2 MW platform could exceed initial projections, with annual improvements of 5% up to 2015. This larger scope should enable Gamesa to meet its goal of improving the contribution margin for 2015, despite ongoing price pressure.

In addition to seeking operating excellence, based on reducing fixed costs and optimising variable costs, and a sound balance sheet, through deleveraging, Gamesa also made progress on the changes in its approach to the entire wind value chain, by implementing the new business model for wind farms, which does not consume funding, launching new platforms (2/2.5 MW and 5/5.5 MW), and focusing on new O&M contracts with greater added value.

Of special note is the company's sales diversification strategy, adopted under the previous Business Plan 2011-2013, and the company's presence in emerging markets, especially Latin America. These factors enabled **Gamesa to end 2012 with an order book of 1,657 MW, i.e. 4% more year-on-year** covering more than 50% of projected sales for 2013, despite the expected slowdown in demand.
With this coverage and the progress in fixed cost savings, the company is confident that it will attain the guidance for the year despite market complexities.

Annex

Financial Statements January-December 2011

- Consolidated

Profit and Loss Account – Million EUR	2011	2012
Turnover	**3.012**	**2.673**
Own work capitalised	114	93
Consumption	(2.044)	(1.883)
Personnel Expenses	(349)	(366)
Other Expenses	(356)	(318)
EBITDA	**377**	**201**
Depreciation	(99)	(97)
Provisions	(131)	(319)
Impairments	-	(289)
EBIT	**147**	**(504)**
Financial result	(37)	(85)
Gain (losses) on disposal of non-current assets	2	-
Net asset impairment losses	(25)	-
Equity method gains (losses)	-	(1)
Profit before tax	**87**	**(589)**
Taxes	(18)	88
Net income	**69**	**(501)**
Minority interest	(1)	-
Assets for sale results	(18)	(158)
Net income attributable to parent company	**51**	**(659)**

Balance sheet - Million EUR	2011	2012
Goodwill	387	387
Other intangible assets	231	164
Property, plant and equipment	452	401
Shareholdings in associated companies	47	70
Deferred taxes, net	171	290
Working capital	1.332	437
Assets held for sale	-	103
Total Assets	**2.620**	**1.852**
Shareholders´ equity	1.667	1.029
Provisions for contingencies and expenses	242	359
Net financial debt	710	496
Derivative financial instruments and others	-	(31)
Total Liabilities	**2.620**	**1.852**

Cash Flow – Million EUR	2012
Profit	(659)
+ Depreciation	97
+ Provisions	319
+ Impairments	313
- Variation in provisions	(149)
- Variation in long term taxes, net	(119)
- Variation in working capital	895
- Others	(163)
Operating cash flow	**533**
- Investments	(225)
- Others	-
Cash Flow for the period = Net Free Cash Flow	**309**
- Dividends paid	-
- Gamesa flexible dividend	-
- Others	9
Cash Flow for the period = Net Cash Flow	**317**
Variation in net financial debt	**(215)**
Initial net financial debt	**710**
Final net financial debt	**496**

Financial Statements January-December 2011

Wind Turbine Division + Holding company

Profit and Loss Account – Million EUR	2011	2012
Turnover	**2.875**	**2.492**
Own work capitalised	112	92
Consumption	(1.970)	(1.752)
Personnel Expenses	(333)	(352)
Other Expenses	(344)	(306)
EBITDA	**340**	**174**
Depreciation	(97)	(95)
Provisions	(126)	(289)
Impairments	-	(288)
EBIT	**116**	**(498)**
Financial result	(25)	(76)
Gain (losses) on disposal of non-current assets	2	0
Net asset impairment losses	(25)	(0)
Equity method gains (losses)	-	(1)
Profit before tax	**68**	**(575)**
Taxes	(6)	74
Net income	**62**	**(502)**
Minority interest	(1)	-
Assets for sale results	-	-
Net income attributable to parent company	**61**	**(502)**

Balance sheet - Million EUR	2011	2012
Goodwill	311	311
Other intangible assets	230	164
Property, plant and equipment	434	353
Shareholdings in associated companies	47	70
Deferred taxes, net	178	284
Working capital	701	288
Assets held for sale	-	-
Total Assets	**1.901**	**1.470**
Shareholders´ equity	1.351	868
Provisions for contingencies and expenses	240	357
Net financial debt	273	243
Derivative financial instruments and others	38	2
Total Liabilities	**1.901**	**1.470**

Cash Flow – Million EUR	2012
Profit	(502)
+ Depreciation	95
+ Provisions	289
+ Impairments	313
- Variation in provissions	(129)
- Variation in long term taxes, net	(106)
- Variation in working capital	414
- Others	(155)
Operating cash flow	**220**
- Investments	(189)
- Others	-
Cash Flow for the period = Net Free Cash Flow	**30**
- Dividends paid	-
- Gamesa flexible dividend	-
- Others	(1)
Cash Flow for the period = Net Cash Flow	**30**
Variation in net financial debt	**(30)**
Initial net financial debt	**273**
Final net financial debt	**243**

Financial Statements January-December 2011

Wind Farm Unit

Profit and Loss Account – Million EUR	2011	2012
Turnover	**513**	**418**
Own work capitalised	1	2
Consumption	(427)	(349)
Personnel Expenses	(15)	(14)
Other Expenses	(23)	(29)
EBITDA	**48**	**28**
Depreciation	(1)	(2)
Provisions	(5)	(30)
Impairments	-	-
EBIT	**42**	**(5)**
Financial result	(12)	(9)
Gain (losses) on disposal of non-current assets	-	-
Net asset impairment losses	-	-
Equity method gains (losses)	-	(0)
Ordinary results	**30**	**(13)**
Extraordinary results		
Profit before tax	**30**	**(13)**
Taxes	(12)	14
Net income	**18**	**1**
Minority interest	-	-
Assets for sale results	(18)	(190)
Net income attributable to parent company	**(1)**	**(189)**

Balance sheet - Million EUR	2011	2012
Goodwill	76	75
Other intangible assets	1	-
Property, plant and equipment	18	48
Shareholding in associated companies	-	-
Deferred taxes, net	(7)	7
Working capital	670	158
Assets held for sale	-	103
Total Assets	**759**	**392**
Shareholders´ equity	356	169
Provisions for contingencies and expenses	2	2
Net financial debt	438	253
Derivative financial instruments and others	(37)	(33)
Total Liabilities	**759**	**392**

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