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**Gamesa**

**Gamesa**

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# Annual Report 2001



**Gamesa**

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# Contents

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<b>Chairman's statement</b>	<b>2</b>
<b>Business operations</b>	<b>4</b>
Gamesa on the Stock Market	5
Renewable Energy	8
<i>Gamesa Eólica</i>	
<i>Gamesa Energía</i>	
<i>Gamesa Servicios</i>	
Aeronautics	21
<i>Structures</i>	
<i>Components</i>	
<b>Legal Review</b>	<b>27</b>
Grupo Auxiliar Metalúrgico, S.A. and subsidiary companies comprising the Gamesa group	31
<b>Applying the Code of Good Corporate Governance</b>	<b>71</b>
<b>Governing Bodies</b>	<b>75</b>
Board of Directors	76
Management Committee	77

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# Chairman's Statement

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***Dear Shareholders:***

It is my pleasure to address you for the first time as Chairman of Gamesa and to share with you the most significant aspects of the company and its more immediate strategic projects. With the said projects we hope to further consolidate our leading position in our business activity.

The last fiscal year was atypical with tragic events provoking one of the worst periods of world-wide economic uncertainty in the last few decades.

Despite the adverse international situation and the slowdown in sectors like aeronautics, Gamesa managed to close 2001 with a net profit attributed to the controlling company of 62 million euro, 37% up on 2000. The consolidated EBIT went up by 22% to 206 million euro. Aggregate sales reached 1,020 million euro, with an increase of 16% on the previous year. Another fact worth mentioning is our contribution to job creation. Gamesa increased its workforce in 2001 by 1,166 employees to total 4,757 employees at the end of the year. This meant an increase of 32%.

2002 promises to be another extraordinary year for the company. In accordance with the objectives stated in the 2002-2004 Strategy Plan, Gamesa, in conjunction with Sociedad Estatal de Participaciones Industriales (Sepi) and Sener, has created a leading aeronautics group. This operation, which received the approval of the Stock Market, will culminate with the flotation on the Stock Exchange of the said aeronautics company, and implies total sales of 700 million euro and a workforce of 4,000.

As Chairman of Gamesa, I have no doubt that this is an interesting and positive time for the company's shareholders, workers and management team.

All our efforts are currently focused on significant growth in the renewable energy industry, an industry with great growth expectations and in which we hold a leading position.

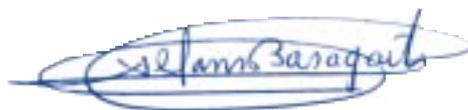
As manufacturers of wind turbines, Gamesa Eólica's objective is to maintain its leadership and increase its world market share, currently at 10%, by an annual 1%. Having completed the purchase of Gamesa Eólica entirely in 2001, the company can ensure its product supply for the next four years with the most advanced medium and high capacity wind turbines in the industry. One of the pillars of this take-off is Gamesa Eólica's advanced and competitive R & D department, together with its international commercial network, based on a structure of wind energy promotion carried out by Gamesa Energía.



Amongst strategic plans for the area of renewable energies, the most remarkable one is a new business unit: the recurrent sale of a percentage of wind farms in operation, or at an advanced stage of development, to wind energy operators. Moreover, Gamesa will develop frame agreements with the main wind energy operators, establishing stable relations in areas related to wind farm development as well as the supply of wind turbines.

In addition to the promotion of the wind energy sector I would also mention the expected outlay for ensuring our presence in other segments of the renewable energy sector such as photovoltaic solar energy and biomass, both of which have considerable growth potential.

Leadership in renewable energy industry and the active participation in the development of the first Spanish aeronautics group are, in short, the two pillars on which Gamesa is to base its evolution in the medium term and which will allow the company to become consolidated as one of the most profitable and advanced in the industrial organisation of Spain and Europe.



Alfonso Basagoiti Zavala  
Chairman

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# Business Operations

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## *Soaring*

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Despite the fact that aeronautics was one of the sectors most affected world wide, Gamesa was able to soar once again and closed 2001 with an significant increase in profits. This was possible thanks, to a large extent, to the company's excellent progress in the field of renewable energy, mainly in wind energy.

In 2001, Gamesa showed a net profit attributed to the controlling company of 62 million euro, 37% up on 2000.

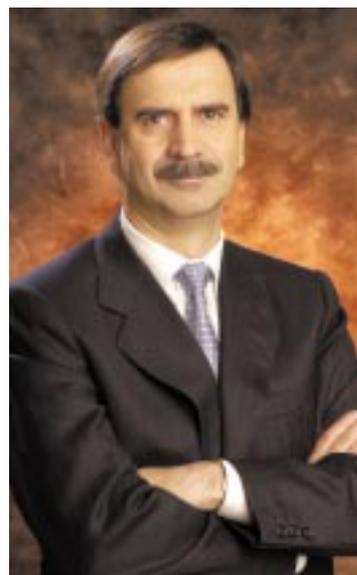
The consolidated EBIT rose by 22% to 206 million euro. Aggregate sales reached 1,020 million euro, showing an increase of 16% on the previous year.

Our contribution to job creation is also worth mentioning. Gamesa increased its regular staff in 2001 by 1,166 to total 4,757 employees at the end of the year, implying an increase of 32%.

Amongst the important events following the closing of 2001, of particular note is the agreement reached with the Sociedad Estatal de Participaciones Industriales (Sepi) and Sener to combine the aeronautics business activity of Industria de Turbopropulsores (ITP) and Gamesa Aeronáutica to form a new company, called NewCo, and which will thus become the leading aeronautics company in Spain. This agreement has helped to speed up the attainment of the objectives set by the company to create a large aeronautics group in the Basque Country and float it on the Stock Market.

Gamesa's decision was taken at the extraordinary meeting of the Board of Directors held on March 12, 2002, within the framework of the lines of action announced by the company in December, 2001, on the occasion of the presentation of the 2002-2004 Strategy Plan.

Gamesa, directly and with the aid of the referred shareholders, intends to go on making the most of the technological synergies arising from aeronautics engineering business and that of Gamesa Eólica's engineering in order to optimise existing wind turbines and design the next generation.



Juan Ignacio López Gandásegui  
Chief Executive Officer

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## The Stock Exchange: Resistance and recovery in a difficult year

Gamesa's behaviour on the Stock Market throughout 2001 was largely determined by factors which were for the most part external, though there were some internal ones which affected its progress on the stock market. It first started trading in November, 2000, and is considered one of the most successful flotations in recent years.

Gamesa started the year with the on-line listing of the year 2000, with an average share price of 24 euros. On April 24, the company was included in the IBEX 35 index, mainly because of its average trading volume.

June 23 saw the confirmation of negotiations with the Airbus group in relation to participation in the A380 programme and, on July 26, the building of a new plant for the manufacture of aeronautical composites in Galicia (Spain) was announced.

On August 24, Vestas announced worse end of year forecasts and zero business growth for 2002, caused by the delay in the passing of the PTC (Production Tax Credit) in the United States. The market automatically penalised the wind energy companies, which led to a worldwide downturn in the sector, affecting Gamesa's quotation on the Stock Market negatively.

The terrorist attacks on the United States on September 11 likewise affected Gamesa, due to its exposure to the aeronautics engineering business area, and reached an all-time low on the quotation, below the price of the initial public offering. Fortunately, on September 21, it was confirmed that the events of September 11 will only affect Gamesa moderately in the next two years, and this helped to improve its quotation price.



On October 10, Gamesa announced a reduction in staff of 500 in its aeronautics division, which implied 25% of the direct payroll, a fact which helped to improve its quotation on the Stock Market. A reduction in aircraft supplies of the main ERJ 135/145 programme for Embraer of 23.8% in 2001 and 41.3% in 2002 was published that same day.

On October 30, the conflict with Sino Swearingen regarding the SJ 30 programme was made public. In this respect, the company had already stated a provision of 9 million euro as of June 30 of the said year.

At the end of the year, in a scenario which was showing signs of an incipient upswing, Gamesa managed to improve its situation thanks, among other factors, to its plan for international expansion, with which it expects to reach a world market share of 10% in wind power generation. Indeed, Gamesa has always figured among the recommendations of analysts in the sector due to its appreciation potential and the solid bases and credibility of its 2002-2004 Strategy Plan, announced on December 3, 2001.

The effect of the overall market situation and investors' view of the latest events meant that Gamesa's shares closed the year with a Stock Market price of 15.40 euros, similar to the last quarter's average.

#### Stock Market Figures for 2001

Equity capital (no. of shares)	81,099,968
Market capitalisation (euros)	1,248,939,507.2
Free Float (35.32%) (no. of shares)	28,644,508
Quoted share prices (euros)	
Maximum (01/02/01)	28.3 euros
Minimum (21/09/01)	11.7 euros
Average (closing prices)	22.03 euros
End of year	15.4 euros
Profit (thousand euros)	62,062
Return per share (euros/share)	0.77 euros/share
PER (no. times)	20
Total traded volume (shares)	64,699,340
Average daily trading volume (shares)	258,797.4
Turnover of equity at end of year (%)	79.8

#### Gamesa's share mix at 31/12/01

	% holding
Corporación IBV, S.A.	37.78 %
Nefinsa	21.29 %
MECANUSA	3.93 %
Free Float	35.32 %
Treasury stock	1.68 %

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## Renewable Energy: Opening up new frontiers

In 2001, Gamesa took some important steps in relation to the manufacture and sale of wind turbines, the most significant of which being the purchase from Vestas of 40% of Gamesa Eólica. As a result of this operation, Gamesa acquired the selling rights of wind turbines without restrictions regarding time or place, opening up international sales potential.

For its part, Gamesa Energía was consolidated in 2001 as the leading developer of wind farms in Spain, where it doubled the total wind energy potential installed the previous year. At the same time, it promoted its presence internationally, focussing above all on three large geo-economic areas: the European Union, Latin America and North Africa.

Gamesa launched its strategy for diversification in renewable energy sources with the setting up of Gamesa Solar, which entered into an agreement with Isofotón in September to consolidate the presence of Spanish industry in commercial and technological terms in the photovoltaic solar sector.





### ***Gamesa Eólica: A wide offer without market restrictions***

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Since December, 2001, the business core involved in the manufacture, sale and installation of wind turbines belongs 100% to Gamesa.

At the end of last year, Gamesa acquired 40% of Gamesa Eólica's capital from Vestas which this Danish company owned to the value of 287 million euros. By virtue of this contract, signed on December 1, 2001, Gamesa Eólica is free to sell wind turbines models G47-660 kW, G52-850 kW, G58-850 kW, G66-1.650 kW and G80-2,0 MW in any country in the world and with no time limit.

In that same month of 2001, Gamesa came to an agreement with Desarrollo de Navarra (Sodena) to purchase the 9% of Gamesa Eólica's capital in the hands of this Navarrese public company for 64.5 million euros.

The signing of agreements with Vestas and Sodena is the start of a new phase in which Gamesa Eólica has decidedly opted for strengthening its position as one of the leading manufacturers of wind turbines in the world, increasing its offer of products and services to the entire international market.

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Gamesa Eólica last year sold a total of 1,014 wind turbines, equivalent to 735 MW, implying an increase of 3% on sales in 2000. The MW installed by Gamesa Eólica in 2001 came to 649, which signified an increase of 3.3% with regard to 2000 and which, according to the Association of Producers of Renewable Energy (APPA), implies a market share in Spain of over 75%.

It is appropriate to underline the commercial assembly of G58 wind turbines, integrally designed by Gamesa Eólica's R & D department. Likewise, worthy of mention is the start-up of the first remote control wind farms with the Integral Management System for Wind Farms (SGIPE), fully designed and developed by Gamesa.

Gamesa Eólica's Services department assembled a record number of wind turbines, 143 in only one month. In Spain, the first wind farms with Gamesa Eólica wind turbines were installed in Asturias and the Canary Islands.

On the international front, assembly of the wind farm in Yumen (China) was completed and the wind farms of Roquetallade (France) and Comodoro-Rivadavia (Argentina) were installed and started up.

The average availability of wind farms installed by Gamesa Eólica exceeded 98% in 2001.





Gamesa Eólica's R & D Department focussed on three projects:

- Completion of the development of the G52-850 kW wind turbine, obtaining design certificates, power curve and acoustic noise certification from Germanischer Lloyd, and the preliminary report on energy quality
- The design and own development of the G58-850 kW wind turbine, which allows a unit output of 850 kW in sites with medium or low winds. In 2001, the shell and girder moulds for producing the blades for this model were manufactured. The prototype was launched and the pre-production series was assembled.
- The launching of a remote control Integral Management System for wind farms (SGIPE). The most important goals attained in 2001 were the integration of the different elements of the farms (wind turbines, masts, substations), definition of the satellite communications network, ending with series installation on the farm.

Parallel to product development, the R & D department, in close cooperation with Echesa, a Gamesa subsidiary, designed and developed a new high performance multiplier for the 850 kW range of wind turbines.

As far as industrial activity is concerned, the manufacturing plant Componentes Eólicos Cuenca, which started operating in mid December, 2000, gradually increased its production capacity throughout the following year to reach 60 units per week.

In the case of blade manufacture for wind turbines, apart from meeting its own production needs, Gamesa Eólica supplied 664 blades for the wind energy market in the United States.

At the end of 2001, Gamesa Eólica began work on the extension of its Apoyos Metálicos plant with an aim to manufacturing towers for wind turbines of the 'megawatt class'. The increase in surface

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area of the production centre and that already existing, which was refurbished, make up a total of 1,575 m<sup>2</sup>, allowing taller towers to be manufactured.

Improvement in the quality of products and services offered by Gamesa Eólica was a constant concern of the company throughout last year. Major milestones included:

- All of Gamesa Eólica plants were either able to renew or obtain the ISO 9002 quality certification.
- The drawing up, development and implementation of a Quality Management System to ISO 9001 throughout the entire organisation, which culminated with certification by Lloyd's Register in January, 2002.
- The implementation of the Environment Management System to ISO 14001, which was also awarded the quality certificate in the first quarter of 2002.
- The organisation of a System for the Prevention of Occupational Hazards, as well as its implementation and consolidation in all of the organisation's activities, departments and production plants.

Once again, Gamesa Eólica's capacity for job creation was evident throughout 2001 with staff numbers increasing from 985 in 2000 to 1,100 in 2001.





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### ***Gamesa Energía: The development of wind farms grows in Spain and abroad***

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In 2001, Gamesa Energía continued to concentrate its efforts on the development, construction, start-up and operation of wind farms in Spain, where its market share has increased by five points to reach 15% of total business in wind energy promotion.

On the international front, Gamesa Energía was actively present in three continents and ten countries at the end of the year. Moreover, the necessary market research has already got underway in order to take on the markets of the United States and Canada.

#### ***National***

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Gamesa Energía's growth in Spain was achieved on reaching 503 MW in running 18 wind farms, of which 250 MW started operating in 2001 in the Autonomous Communities of Andalusia, Aragon, Castile and Leon and Galicia.

During 2001, Gamesa Energía expanded its wind energy development activity to include the Autonomous Communities of Catalonia and the Canary Islands.

In the sphere of the development of wind farms, Gamesa Energía increased its power reserve in 20 MW, with approval for a new Wind Energy Strategy Plan in Castilla-La Mancha, and the extension of the plant already existing in the same Autonomous Community. With this authorisation, at the beginning of 2002, Gamesa Energía held 7 approved Wind Energy Strategy Plans totalling power reserve of 1,870 MW.

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Throughout 2001, Gamesa Energía received administrative authorisation for 12 wind farms which add up to a total capacity of 306 MW.

As for the construction and start-up of wind farms, in 2001, Gamesa Energía began work on the building of 10 new wind farms and the extension of an existing farm, with a total capacity of 302 MW.

Of this capacity under construction and that already started in 2000, Gamesa Energía put 250 MW into operation, corresponding to five of the ten new farms started in 2001, to two farms started in 2000 and to the extension of existing farms.

A high degree of average availability was achieved in both the wind farms already in operation at the beginning of 2001 (11 farms with a capacity of 253 MW) and the wind farms put into operation throughout the year (250 MW):

<u>Average availability of wind turbines:</u>	<u>98.5 %</u>
<u>Average availability of wind farms:</u>	<u>98.3 %</u>
<u>Average capacity factor:</u>	<u>37 %</u>

Production from wind farms in operation totalled 766.4 GWh. in 2001. Accumulated production at source came to 1,636.3 GWh.

Key events in the development activity in 2001 are outlined below:

- The signing by Gamesa Energía of a framework agreement with Banesto for the "Project Finance", the means of financing the 300 MW,.
- The signing of an Addendum to the Agreement with the Government of Andalusia for support for the development of wind farms in the said Autonomous Community for a capacity of 700 MW or more in coming years.
- The building and start-up of the REE Se Gurrea, for the electrical connection and tapping of the Tardienta I and Tardienta II wind farms (94 MW).
- A joint venture agreement with Horizontes de Energía for the development, construction and operation of wind farms in sites developed by Horizontes in Andalusia.
- The agreements with developers from the Canary Islands for the joint development of wind farms on the said islands.



- The signing with ICO and Caixa Catalu a of a framework agreement for the "Project Finance" the means of financing the 310 MW, to be installed in 2001, 2002 and 2003.

### ***International***

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Throughout 2001, Gamesa Energ a concentrated its efforts in external markets on the development of its core business: the development, exploitation and operation of projects for wind-based electric power generation.

This internationalisation process centred mainly on three large geo-economic areas: the European Union, Latin America and North Africa. By the end of 2000, Gamesa Energ a was operating on three continents and in ten countries. In addition, the necessary market research had already started in order to take on the markets of the United States and Canada. Below is a brief summary of the key events of 2001:

#### ***a) The European Union***

In European Union markets, in 2001, Gamesa Energ a mainly focussed its resources on the development of wind farms in the four southern European countries: Portugal, Italy, Greece and France.

Gamesa Energ a Portugal consolidated its activity relating to the development and construction of several wind energy projects. By the end of 2001, the wind power resources of over 40 sites all over the country were being measured, 20 wind farms with a total estimated capacity of over 600 MW being at an advanced stage of development.

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In 2001, Gamesa Energia Italia signed a series of agreements with Italian developers, implying progress in, and the development of, a variety of wind energy projects in central, northern and southern Italy. By the end of 2001, the Italian developing firm had brought a total of 50 wind farms to an advanced stage of development with approved electrical connection points ensuring a capacity of over 500 MW.

In Greece, Gamesa Energiaki Hellas showed a significant increase in its wind energy development projects, especially on the Greek mainland. Agreements were entered into with Greek developers and engineering firms in the energy sector for the joint development of new projects with renewable energy sources. The Greek promoter's 40 wind farms with an estimated capacity of 400 MW were at an advanced stage of development.

In 2001, Gamesa Energie France, the new subsidiary, was mainly set up as the developing firm for wind energy projects in a market offering excellent growth opportunities in the medium term, following the passing of new regulations on wind energy in the middle of the year by the French Energy Board.



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*b) Latin America*

In this region, Gamesa Energía mainly concentrated its efforts on four countries: Brazil, Mexico, Argentina and the Dominican Republic.

In Brazil, in 2001, wind farms were developed in several states of the North West, Centre and South. The synergies of this large potential market for wind energy also derive from the consolidated presence of the Group's subsidiary, Gamesa Serviços de Brasil. However, the Brazilian energy regulation on wind as a power source did not progress in 2001 as was expected.

Gamesa Energía likewise consolidated its wind energy development in Mexico, a member of the Free Trade Agreement, as a consequence of agreements signed with partners from the north and south of the country.

In the Dominican Republic, Pecasa, in which Gamesa Energía holds a controlling stake, obtained the rights to the electrical connection of two wind farms with a total capacity of 90 MW.

In Argentina, the serious economic situation which the country went through in 2001 and, in particular, in the second half of the year, meant that Gamesa Energía decided to temporarily slow down its projects for investment in the third largest economy in Latin America. In this country, projects are carried out by its subsidiary Gamesa Energía Austral.

*c) North Africa*

Through BOT(build/operate/transfer) type tenders (or similar) Gamesa Energía continued to explore the possibilities of developing wind farms and renewable energy projects in 2001 in North African countries on the shores of the Mediterranean.

In Morocco, Gamesa Energía tendered for a major contract for 200 MW in 2000, in the BTOT mode, forming an international consortium with Energías Eólicas Europeas and Sinae. Gamesa Eólica, in its capacity as manufacturer of wind turbines, also took part in this tender.

At the same time, Gamesa Energía signed a series of agreements with Egyptian companies covering investment and capital risk, building, civil engineering and electrical installations for joint participation in tenders directed, in the main, at the field of wind energy. However, the Egyptian authorities failed to make any call for bids in the wind energy sector during 2001.



### ***Gamesa Servicios: Assistance in key energy sectors***

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Through its companies, Gamesa Energía Servicios and Siemsa, Gamesa Servicios Avanzados took part in important projects in the areas of Renewable energy, Conventional Energy sources and Petrochemicals.

As far as wind energy development projects are concerned, Gamesa Servicios Avanzados installed a total of 750 wind turbines for Gamesa Eólica and 60 wind turbines for other manufacturers in 31 farms all over the country.

In terms of installation of wind farms, in 2001, Gamesa Energía Servicios was involved in the turnkey assembly of 8 wind farms for Gamesa Energía and 9 farms, through Gamesa Eólica, for other developers, with a total installed capacity of 430 MW. Thanks to these projects, Gamesa Energía Servicios is considered world leader in the installation of wind farms, with an accumulated participation as at 2001 of over 2,100 MW and nearly 3,200 wind turbines installed.

In addition, Gamesa Energía Servicios provided assistance services to Gamesa Eólica at 60 wind farms with a maintained capacity of over 850 MW, corresponding to 1,500 wind turbines.

In 2001, the Prisma maintenance system was being applied in all wind farms. This system was first used in 2000.

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In the field of the installation of meteorological masts for picking up and studying winds, over 115 measurement masts were supplied and installed in Spain, Portugal, Italy and Brazil in 2001. The company is consolidated as world leader in this type of installations with over 850 sites built to date.

Last year saw the start of the implementation and commercialisation for Gamesa Eólica of the Integral Management System for Wind farms (S.G.I.P.E.), a process which is expected to be completed in 2002.

With regard to other activities related to renewable energy sources, Gamesa set up Gamesa Solar in May, 2001. The company deals in the manufacture of solar panels from photovoltaic cells purchased on the market, in the sale of panels and other components to contractors, and in the commercialisation of complete photovoltaic systems.

In September, 2001, Gamesa Solar entered into a contract with Isofotón for the consolidation of the presence of Spanish industry as regards both trade and technology in the photovoltaic solar sector, making the most of the synergy of the two companies.

A result of this agreement was the participation in a consortium, 50% with Isofotón, in the Prodeen project for the electrification of rural schools in Brazil, and the initial adjudication of 566 742 w/p units for the Amazonian region(Manaos) of the South American country.

The said material will be supplied during 2002, and an increase of 25% on the initial order is expected.



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2002 is to see the completion of work for the building of the assembly plant for photovoltaic modules in Andalusia. Production is expected to start at the end of 2002.

In energy-related activities, Gamesa Energía Servicios participated in Temporary Joint Ventures, with ACS, Ghesa and Cobra, in the turnkey project for the building of the Combined Cycle plant which Iberdrola is developing in Castellón (2 400 MW units). The first gas turbine is expected to be put into operation in April, 2002.

Likewise, March, 2001, saw the signing of a contract for a new turnkey project, under the same terms as the Castellón Temporary Joint Venture. This corresponds to a 400 MW unit for another Combined Cycle plant for Iberdrola, located in Castejón (Navarre).

Due to its maintenance and support activity for the shutdown and charging of Thermal and Nuclear power stations, Siemens has consolidated its position as Spain's leading provider of such services and is currently involved in the electrical assembly, instrumentation and control of several combined cycle plants: Castellón and Tarragona Power as well as the Hydraulic Power Plant of Millares.

It is also important to note the adjudication to Siemens Control y Sistemas of the Distributed Control System for the regasification plant in the Combined Cycle plant being developed by Bahía de Bizkaia Gas and Bahía de Bizkaia Electricidad on land belonging to the Port of Bilbao. The said project is to be carried out during 2002.

With the services provided in engineering and in high voltage projects, Siemens remains one of Spain's leading companies in the design, installation and commissioning of substations, having completed the entire turnkey projects for 8 132 and 220 kV substations in 2001.

In petrochemical activity, Siemens is the country's largest provider of services in power maintenance and maintenance of Instruments and Monitoring equipment in chemical and petrochemical plants, operating in every Repsol-YPF and Cepsa oil refinery in the country.

The department of systems analysts continues to show an increase in its activity, and is the consolidated domestic leader in terms of turnover and systems analysts.

The Calibration Laboratory renewed its ENAC accreditation and increased its operational capacity by 100%, during 2001.

Finally, in the international arena, through Gamesa Serviços Brazil, in north eastern Brazil, the company stepped up activity related to wind energy, substations, industrial plant automation and electrical maintenance, for the most part, as well as I&C activities in the Salvador de Bahía Petrochemical Complex.

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## Aeronautics: Growth despite adversity

Gamesa's activity in the aeronautics business in 2001 can be considered extraordinary in all senses.

In the first half of the year, Gamesa Aeronáutica reached a historical high as regards the number of units delivered in a month, staff, turnover and profits. Unfortunately this brilliant progress was cut short by the events of September 11 in the United States which provoked a major slump in activity in the aeronautics sector.



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## ***Structures: Historical high in deliveries until September 11***

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The start of the year saw a sharp increase in production rates, a boost in activity related to the production of prototypes in two programmes currently under development (ERJ170/CRJ700), which led to a historical maximum rate in the company as regards units delivered per month, staff, turnover and profits during the first half of the year. This was followed by a sudden fall with an almost complete halt in production in the last quarter of the year as a consequence of the sharp downturn in the sector immediately after September 11.

Nevertheless, in accordance with annual estimations, the number of aircraft delivered, sales revenue and profits all signify that the company reached historically high figures, and likewise achieved important goals as far as development programmes are concerned.

### **Family of 50-seater Embraer regional aircraft**

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In 2001, Gamesa delivered a total of 177 planes for the entire ERJ145-ERJ135-ERJ140 and ECJ135 range, and ended the year with a stock equivalent to 20 planes as production activity could not be slowed down to suit the rate of deliveries.

Worthy of mention among the year's milestones are:

- An increase in production rate with respect to 2000 reaching one plane/day in March.
- The launch and certification of the Legacy (ECJ135), a by-product of the regional aircraft industry for use in executive transport. It will no doubt help consolidate the company's commercial portfolio.
- The ERJ140 was certified and deliveries started in July.
- The design for the ERJ145XR's wing was launched in March. It should greatly improve the performance of the existing model. The application of advanced engineering procedures meant that the assembly work could start on the first prototype at the end of the year. This implies a development time of only 9/10 months from the start of the design process to delivery of the first unit.
- The delivery of unit no. 500 in June, and no. 575 since the programme was certified in December, 1995.

Family of 70-seater Embraer regional aircraft under the current name of Embraer 170, 175 and 190/195.



The project successfully passed the critical design review at the beginning of the year. During the year, progress was such that the elements corresponding to the first four prototypes were delivered, the design plans for the second member of the range, the Embraer 195 with room for 108 passengers, were completed, and the 170 was rolled out in October.

#### **Family of 70-seater Bombardier regional aircraft**

The year commenced with the assembly and commissioning of the production line for the CRJ700 in Easa del Sur.

The first products were delivered in April and the first complete aeroplane in July, a production rate of 2 planes per month, and a total of 8 per year being subsequently reached.

At the same time, considerable progress was made in the design of the CRJ900, seating 90 passengers, and the first prototype was submitted while the project was still undergoing the certification process.

Its prototypes having incorporated improvements suggested by the flight tests, the Sikorsky S92 helicopter is still carrying out certification flights. The aim is to have obtained the certification by the end of 2002.

In addition, in 2001, the scope of the contracts was increased to include activities related to product support (maintenance). These contracts are entered into directly with the airlines. Gamesa Aeronáutica was certified to JAR 145 to formally provide for this situation.

Likewise, the consolidation of the different programmes has allowed the existing multi-company model to be set up. It currently comprises Gamesa Aeronáutica, Gamesa Desarrollos Aeronáuticos, Gamesa Producciones Aeronáuticas, Moasa, Fuasa and Easa del Sur.

During the traumatic last quarter of the year, the installed capacity was adjusted to suit the levels of demand of the sector in order to guarantee the profitability of the business. Likewise, the Strategy Plan covering all activities up to 2005 was presented, and an agreement of intent was drawn up to participate in Airbus' new A380 programme.

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## ***Components: Technological mastery, flexibility and costs***

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In 2001, Gamesa Componentes Aeronáuticos' activities, which focus on the engineering and manufacture of aeronautics components, subassemblies in composite materials and large machined parts, were carried out in extremely demanding market conditions characterised by a growing pressure on prices and a sudden fall in demand.

As far as trading volume and production rates are concerned, a period of pressure as regards deliveries in response to the increase in the number of programmes, mainly in the case of the Embraer ERJ 145 with safety stock being created, was followed by a drastic reduction immediately after September 11, with line production of large machined parts being halted for three months.

In this demanding and competitive context, Gamesa Componentes Aeronáuticos has proven its capacity to adapt and overcome the demands of flexibility and cost cutting and has improved its margins and profits by 60% and 24%, respectively.

September 7 saw the opening of Coasa's new plant which specialises in the manufacture of large series of parts and assemblies in composite materials. The new plant implies a production capacity which will triple the current one.

Work has also begun, in collaboration with Gamesa Aeronáutica, on the development of programmes, such as section 19 of the Airbus A-380 or modifications to the Sikorsky S-92 helicopter, with the incorporation of engineering teams for manufacturing machined parts and composite materials from the design stage. The said teams participate fully and are totally responsible for manufacture, tools, processes and costs of the said programmes.

A variety of prototypes have been successfully developed and manufactured for new programmes, and three projects for improved technology have been launched. These projects refer to a change in materials and processes for composite materials and are directed at cost cutting and differentiation.

All these measures, together with intense commercial activity, have led to an increase in the commercial portfolio despite the sector's situation. Indeed, Airbus is now one of its customers and relations with new customers look promising and will surely lead to firm orders and concrete programmes in the near future.

### ***Fibertecnic***

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Fibertecnic, dealing in the engineering and manufacture of aeronautics components in composite materials (carbon fibre, fibreglass and Kevlar), with a turnover of 17 million euro in 2001, reached optimum use of its plant, and launched a process for assigning programmes to Coasa with a view to optimising and making both plants more efficient.



Line production of leading edge covers for the Airbus 340's horizontal stabilizer has already commenced, with increased participation in the production of the main undercarriage doors for the Airbus 320 and the nose gear for the Airbus 310.

Moreover, the prototypes for the Embraer ERJ-170 have already been made. The programme stands out for the complexity and excellent results afforded by the leading edge of the vertical stabilizer, made in fibre glass and kevlar with a nomex core, and the rudder in carbon fibre laminate with integrated spars, both 6 metres long.

Fibertecnic has likewise worked with concurrent engineering on the aforementioned modifications to the S-92 programme and, together with Gamesa Aeronáutica, has launched a project for fibre glass injection moulding as well as for the incorporation of thermoplastics.

### ***Coasa***

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Coasa, which, like Fibertecnic, is involved in the manufacture of parts in composite materials, started doing business in September, and both its plant and processes are certified by Embraer.

Following the pertinent training processes, the number of employees has risen in accordance with the levels of capacity attained and degree of approval obtained in order to take on a greater workload, and now totals 98 workers.

Currently focussing on the ERJ – 145 programme, Coasa is an excellent example of industrial capacity and productivity efficiency, perfectly integrated with Fibertecnic to become the obliged reference for technology for the manufacture of aeronautics components in composite materials.

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### *Aeromac*

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Aeromac, a company dealing in the manufacture of light alloy and complex-shaped machined components, consolidated its activity during 2001 and achieved high levels of quality and productivity in the manufacture of spars and coatings for the ERJ 135-145.

It is important to underline the effort made by Aeromac as well as its flexibility when it managed to adapt to the 100% increase on its initial production rate before the summer and subsequently cope with a situation of virtual inactivity in October.

In the last quarter of the year the company successfully started to manufacture different prototypes, it began to manage the processing and finishing of parts for their subsequent delivery for immediate assembly, and organised integration, as concurrent engineering manufacturing, with Gamesa Aeronáutica's team in charge of the design and industrialisation of Section 19 of the Airbus A-380.



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## **Grupo Auxiliar Metalúrgico, S.A. and Dependent Companies composing the Gamesa Group**

**2001 Consolidated Financial Statements and  
Consolidated Management Report  
together with Auditor's Report**

Translation of reports and consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Note 24).  
In the event of a discrepancy, the Spanish-language version prevails.



## Auditors' report on consolidated financial statements

To the Shareholders of  
Grupo Auxiliar Metalúrgico, S.A.

Rodríguez Arias, 15  
48008 Bilbao

1. We have audited the consolidated financial statements of GRUPO AUXILIAR METALURGICO, S.A. (GAMESA) AND DEPENDENT COMPANIES composing the GAMESA GROUP (see Notes 1 and 2), which consist of the consolidated balance sheet as of December 31, 2001, and the related consolidated statement of income and notes to consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the directors of the Controlling Company, Grupo Auxiliar Metalúrgico, S.A. 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 generally accepted auditing standards, which require examination, by means of selective tests, of the documentation supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made. Our work did not include an examination of the 2001 financial statements of certain GAMESA investees (see Note 2), whose assets, reserves and net income represent 30%, 24% and 49%, respectively, of the related consolidated totals. The financial statements of these companies were audited by other auditors (see Note 2) and our opinion as expressed in this report on the consolidated financial statements of the GAMESA GROUP is based, with respect to the aforementioned companies, solely on the reports of the other auditors.
2. As required by Spanish corporate law, for comparison purposes the Controlling Company's directors present, in addition to the 2001 figures for each item in the consolidated balance sheet and the consolidated statements of income and of changes in financial position, the figures for 2000. Our opinion refers only to the 2001 consolidated financial statements. Our auditors' report dated March 30, 2001, on the 2000 consolidated financial statements contained a qualified opinion (see paragraph 3 below).
3. On June 30, 2000, the Controlling Company acquired a 30% holding in its dependent company Gamesa Energía, S.A. This acquisition gave rise to goodwill of approximately €107,882,000, which the GAMESA GROUP wrote off with a charge to the "Shareholders' Equity – Additional Paid-in Capital" caption in that year (see Note 13). This write-off was not recorded on the basis of the negative performance of the aforementioned investment, but rather as a result of the application of principles of utmost prudence.

In accordance with generally accepted accounting principles, the aforementioned goodwill should be amortized with a charge to income over the period during which it will contribute to the obtainment of revenues for the Group, up to a maximum limit of 20 years. Had this goodwill been amortized over ten years, which in the current circumstances is the minimum period over which Company management considers that the goodwill will continue to be effective and contribute to the obtainment of revenues for the Group, the reserves reflected in the consolidated balance sheet as of December 31, 2001 (after consideration of the related amortization of this goodwill as of December 31, 2000), would have increased by approximately €102,490,000 and the consolidated income before taxes for 2001 would have decreased by approximately €10,788,000, due to the amortization of goodwill relating to that year.

4. On January 31, 2002, other auditors (see Note 2) issued an auditors' report on the financial statements of the consolidated company Gamesa Producciones Aeronáuticas, S.A., on which we based our work, which was qualified for the following matter: "... as of December 31, 2001, the Company's fixed assets included items assigned to the development of the SJ-30 program. When the tools and prototypes under the program had been fully developed, due to differences of opinion with the contracting company, it was agreed that the Company would not mass produce the aeronautical components. Although partial agreements were reached with the contracting company in 2001, which led to the sale and collection of a portion (€15,5 million) of the investment made in the program, negotiations are currently in progress to determine the selling price of the remaining assets assigned to this program, the book value of which amounts to €16,2 million. Based on these circumstances, and in accordance with the accounting principle of prudence, the Company recorded a provision of €9 million to cover any losses which might arise in the transfer of these assets. The recovery of the net value of the investment in this program as of December 31, 2001, will depend on the outcome of the negotiations in progress and on the final agreements reached"(see Note 6).
5. In our opinion, based on our audit and on the reports of the other auditors (see Note 2), except for the effects of the matter discussed in paragraph 3 above and except for the effects of any adjustment which might be required if the final outcome of the uncertainty described in paragraph 4 above were known, the 2001 consolidated financial statements referred to above present, in all material respects, a true and fair view of the net worth and financial position of GRUPO AUXILIAR METALURGICO, S.A. (GAMESA) AND DEPENDENT COMPANIES composing the GAMESA GROUP as of December 31, 2001, and of the results of their operations and of the funds obtained and applied by them in the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with generally accepted accounting principles and standards applied on a basis consistent with that of the preceding year.
6. The accompanying consolidated management report for 2001 contains the explanations which the Controlling Company'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 management report is consistent with that contained in the consolidated financial statements for 2001. Our work as auditors was confined to checking the consolidated management report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the Consolidated Companies.

ARTHUR ANDERSEN



Mariano Cabos

March 21, 2002

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# Legal Review

**Grupo Auxiliar Metalúrgico, S.A. and Dependent  
Companies composing the Gamesa Group**

Consolidated Management Report

## Grupo Auxiliar Metalúrgico, S.A. and Dependent Companies composing the Gamesa Group

Consolidated Balance Sheets as of December 31, 2001 and 2000 (Notes 1 to 4)

(Thousands of Euros)

<b>ASSETS</b>	<b>31/12/01</b>	<b>31/12/00</b>
<b>FIXED AND OTHER NONCURRENT ASSETS</b>		
Start-up expenses	8,328	16,360
Intangible assets, net (Note 6)	155,125	123,748
Tangible fixed assets, net (Note 7)	529,995	285,970
Long-term financial investments, net (Note 8)	17,861	7,156
Treasury stock (Note 13)	12,655	9,551
Total fixed and other noncurrent assets	723,964	442,785
 GOODWILL IN CONSOLIDATION (Note 9)	 256,316	 955
 DEFERRED CHARGES	 3,598	 1,653
<b>CURRENT ASSETS</b>		
Due from shareholders for uncalled capital	33	-
Inventories (Note 10)	253,864	170,689
Accounts receivable-		
Customer receivables for sales and services	223,071	239,755
Receivable from Group companies (Note 16)	4,925	8,566
Other accounts receivable (Note 11)	72,677	22,481
Provisions	(1,033)	(660)
	299,640	270,142
 Short-term financial investments (Note 12)	 79,476	 61,251
Cash	21,088	14,107
Accrual accounts	2,107	1,484
Total current assets	656,208	517,673
 <b>TOTAL ASSETS</b>	 <b>1,640,086</b>	 <b>963,066</b>

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>31/12/01</b>	<b>31/12/00</b>
<b>SHAREHOLDERS' EQUITY (Note 13)</b>		
Capital stock	40,550	40,550
Reserves of the Controlling Company	75,027	69,824
Reserves at consolidated companies	79,233	45,025
Income attributable to the Controlling Company	62,062	45,146
Total shareholders' equity	256,872	200,545
<b>MINORITY INTERESTS (Note 15)</b>	18,265	33,793
<b>DEFERRED REVENUES (Note 4-j)</b>	24,350	20,682
<b>PROVISIONS FOR CONTINGENCIES AND EXPENSES (Note 21)</b>	33,776	40,841
<b>LONG-TERM DEBT</b>		
Payable to credit entities (Note 14)	501,913	235,791
Other accounts payable (Note 21)	143,060	39,089
	644,973	274,880
<b>CURRENT LIABILITIES</b>		
Payable to credit entities (Note 14)	230,889	111,305
Payable to Group companies (Note 16)	2,755	1,283
Trade accounts payable (Note 3-b)	284,981	220,797
Other nontrade payables (Note 3-b)	141,367	57,497
Operating provisions	96	-
Accrual accounts	1,762	1,443
Total current liabilities	661,850	392,325
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,640,086</b>	<b>963,066</b>

The accompanying Notes 1 to 24 and the Exhibit are an integral part of the consolidated balance sheet as of December 31, 2001.

# Grupo Auxiliar Metalúrgico, S.A. and Dependent Companies composing the Gamesa Group

Consolidated Statements of income for  
the years ended December 31, 2001 and 2000 (Notes 1 to 4)

(Thousands of Euros)

<b>DEBIT</b>	<b>2001</b>	<b>2000</b>
<b>EXPENSES:</b>		
Materials used in operations and other external expenses (Note 20)	640,442	572,226
Personnel expenses (Note 20)	142,468	107,746
Period depreciation and amortization (Notes 4-a, 6 and 7)	39,126	68,593
Variation in operating provisions (Note 21)	16,466	5,638
Other operating expenses	74,198	62,160
<b>I. OPERATING INCOME</b>	<b>149,909</b>	<b>94,890</b>
	<b>1,062,609</b>	<b>911,253</b>
Financial expenses (Notes 14 and 21)	26,849	19,213
Variation in long-term financial investment provisions	-	146
Exchange losses	10,908	2,776
	<b>37,757</b>	<b>22,135</b>
Amortization of goodwill in consolidation (Note 9)	1,652	1,104
<b>III. INCOME FROM ORDINARY ACTIVITIES</b>	<b>123,805</b>	<b>78,256</b>
Losses on fixed assets	1,279	545
Variation in tangible fixed asset, intangible asset and control portfolio provisions (Notes 4-f, 6 and 8)	11,961	-
Extraordinary expenses (Notes 4-n and 21)	7,775	5,201
Prior years' expenses and losses	2,613	1,663
Losses on transactions involving treasury stock and own debentures (Notes 4-f and 8)	6,512	-
<b>IV. EXTRAORDINARY INCOME</b>	<b>-</b>	<b>13,195</b>
	<b>30,140</b>	<b>20,604</b>
<b>V. CONSOLIDATED INCOME BEFORE TAXES</b>	<b>109,192</b>	<b>91,451</b>
Corporate income tax (Note 17)	28,165	22,630
<b>VI. CONSOLIDATED INCOME FOR THE YEAR</b>	<b>81,027</b>	<b>68,821</b>
Income attributed to minority interests (Note 15)	18,965	23,675
<b>VII. INCOME FOR THE YEAR ATTRIBUTED TO THE CONTROLLING COMPANY</b>	<b>62,062</b>	<b>45,146</b>

<b>CREDIT</b>	<b>2001</b>	<b>2000</b>
<b>REVENUES:</b>		
Net sales (Note 20)	738,479	755,756
Increase in finished product and work-in-process inventories	60,829	43,871
Capitalized expenses of Group work on fixed assets (Notes 4-b, 4-c, 6 and 7)	259,781	105,645
Other operating revenues	3,520	5,981
	<b>1,062,609</b>	<b>911,253</b>
Other financial revenues	594	1,820
Income from short-term financial investments (Note 12)	2,459	1,885
Exchange gains	10,252	2,578
<b>II. FINANCIAL LOSS</b>	<b>24,452</b>	<b>15,852</b>
	<b>37,757</b>	<b>22,135</b>
Share in the income of companies carried by the equity method	-	232
Gains on fixed assets	402	761
Capital subsidies transferred to income for the year (Note 4-j)	1,198	15,086
Extraordinary revenues (Note 4-p)	12,121	4,757
Prior years' revenues and income	1,806	-
<b>IV. EXTRAORDINARY LOSS</b>	<b>14,613</b>	<b>-</b>
	<b>30,140</b>	<b>20,604</b>

The accompanying Notes 1 to 23 and the Exhibit are an integral part of the consolidated statement of income for 2001.

# Grupo Auxiliar Metalúrgico, S.A. and Dependent Companies Composing the Gamesa Group

Notes to Consolidated Financial Statement  
for the Year Ended December 31, 2001

## 1. Description of the Group

Grupo Auxiliar Metalúrgico, S.A. was incorporated on January 28, 1976, and its registered office is currently at Portal de Gamarra, 40 (Álava). Its corporate purpose is the promotion and development of companies through temporary ownership interests in their capital stock, for which it can perform the following transactions:

- a) Subscription of shares or other equity interests in unlisted companies engaging in business activities.
- b) Acquisition of the shares or other equity interests mentioned in a) above.
- c) Subscription of fixed-interest securities issued by the companies in which it has ownership interests or the granting of participating and other loans to these companies for terms longer than five years.
- d) Direct provision to investees of counseling, technical assistance and other similar services related to the administration of investees, to their financial structure or to their production or marketing processes.
- e) Granting 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.

All of the activities which make up the aforementioned corporate purpose may be carried out in Spain or abroad, and may be carried out either directly (totally or partially) by the Company or through ownership of shares or holdings in companies with an identical or similar corporate purpose. The Company may not engage in any activity for which legislation imposes specific conditions or limitations if it does not comply in full with these requirements.

Currently, the Gamesa Group is considered to be a group which manufactures and is the principal supplier of leading-edge products, installations and services in the aeronautical and renewable energy industries, structured in the following lines of business (*see Note 2*):

<i>Business Unit</i>	<i>Line of Business</i>	<i>Objectives 2002 – 2004</i>
- Renewable energies	<ul style="list-style-type: none"> <li>- Production of wind generators</li> <li>- Development, operation and sale of wind-powered facilities</li> </ul>	<ul style="list-style-type: none"> <li>- Increase worldwide market share by 1% to reach 16% by 2004</li> <li>- Consolidation of leadership in the development of wind-powered facilities, achieving on installed capacity in 2004 of 1,380 MW (1,303 MW in the period) and sale of wind-powered facilities with a total capacity of 426 MW (2002-2004)</li> </ul>
- Aeronautical	<ul style="list-style-type: none"> <li>- Aeronautical structures</li> <li>- Aeronautical components</li> <li>- Maintenance and repair</li> </ul>	<ul style="list-style-type: none"> <li>- Development of an aeronautical group of a sufficient size and value to have its shares placed in the capital markets (<i>see Note 22</i>)</li> </ul>

## 2. Group companies

The Group and associated companies included in the scope of consolidation and the information thereon as of December 31, 2001, are as follows (see Notes 3-d and 3-e):

<i>Company or Group of Companies (Notes 13 and 16)</i>	<i>Location</i>	<i>Current Line of Business</i>	<i>% of Direct and Indirect Ownership</i>
Gamesa Aeronáutica, S.A. and dependent companies (subgroup)	Álava	Manufacture of aeronautical structures	100%
Aeromac, S.A.	Álava	Machining of large aeronautical parts	100%
Coasa, Componentes Aeronáuticos, S.A.	Galicia	Manufacture of composite materials	100%
Gamesa Producciones Aeronáuticas, S.A.	Álava	Manufacture of aeronautical structures	100%
Gamesa Componentes Aeronáuticos, S.A.	Álava	Manufacture of aeronautical components	100%
Gamesa Industrial Aut., S.A.	Álava	Manufacture of aeronautical components	100%
Fibertecnic, S.A.	Álava	Manufacture of composite materials	100%
Gamesa Energía, S.A. and dependent companies (subgroup)	Álava	Renewable energies	100%
Cametor, S.L.	Álava	Real state	100%

<i>Company of Group of Companies (Notes 13 and 16)</i>	<i>Cost (*)</i>	<i>Thousands of Euros (**)</i>		
		<i>Capital</i>	<i>Reserves</i>	<i>Income (Loss)</i>
Gamesa Aeronáutica, S.A. and dependent companies (consolidated) (1)	5,514	5,514	8,698	31,934
Aeromac, S.A. (4)	3,306	3,306	(19)	278
Coasa, Componentes Aeronáuticos, S.A. (4)	3,968	3,968	(4)	(1)
Gamesa Producciones Aeronáuticas, S.A. (1)	29,026	29,026	22,058	(10,180)
Gamesa Componentes Aeronáuticos, S.A. (4)	3,957	4,084	-	(127)
Gamesa Industrial Aut., S.A. (2)	6,535	6,163	147	1,051
Fibertecnic, S.A. (2)	1,662	1,557	2,414	503
Gamesa Energía, S.A. and dependent companies consolidate (3)	43,893	35,491	55,240	32,477
Cametor, S.L. (2)	4,577	3,902	(33)	822

(\*) Cost per books at the holding company, net of allowance for diminution in value

(\*\*) Including uniformity adjustments

(1) Companies audited by Price Waterhouse Coopers

(2) Companies audited by Arthur Andersen

(3) Subgroup audited by Arthur Andersen, including companies audited by other auditors (see Exhibit)

(4) Company not legally obliged to have its financial statements audited

The accompanying Exhibit details individually the companies in which the Company has direct and indirect ownership interests of 51% or more, their core business and the main economic, financial and other information on them. The changes in the scope of consolidation arising in the year are detailed in Note 3-e.

### 3. Basis of presentation

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#### a) *True and fair view*

The accompanying 2001 consolidated financial statements, which were prepared from the individual accounting records of Grupo Auxiliar Metalúrgico, S.A. ("GAMESA") and of each of the dependent companies composing the GAMESA Group as of December 31, 2001, include certain reclassifications to unify the accounting and presentation methods of the consolidated companies with those of the Controlling Company.

The accompanying consolidated financial statements are presented in accordance with the provisions of Royal Decree 1815/1991 on regulations for the preparation of consolidated financial statements and, accordingly, they give a true and fair view of the GAMESA Group's net worth, financial position and consolidated results and the funds obtained and applied by it. Also, the consolidated and individual financial statements as of December 31, 2001, of the consolidated dependent companies, which were prepared by their directors, will be submitted for approval by the Shareholders' Meetings of the respective companies. The directors of the Controlling Company consider that they will be approved by the respective Shareholders' Meetings without any changes.

#### b) *Grouping of items*

The detail of the "Trade Accounts Payable" caption in the consolidated balance sheet as of December 31, 2001, is as follows:

	<i>Thousands of Euros</i>
Customer advances-	
Advances received from customers on orders	44,388
Transfer of "Customer Advances" to "Inventories" (Note 10)	(32,970)
Payables for purchases and services	272,936
Notes payable	627
<b>TOTAL</b>	<b>284,981</b>

Of the total advances billed to customers shown in the foregoing table, as of December 31, 2001, approximately €14,771,000 had not yet been collected, and the related account receivable is recorded under the "Customer Receivables for Sales and Services" caption.

Also, the balance of the "Other Nontrade Payables" caption in the accompanying consolidated balance sheet includes the following items which were grouped together for balance-sheet presentation purposes:

	<i>Thousands of Euros</i>
Other nontrade payables-	
Compensation payable	6,818
Accrued taxes payable (Note 17)	36,212
Other accounts payable (Note 21)	98,337
<b>TOTAL</b>	<b>141,367</b>

#### c) *Accounting policies*

The accompanying consolidated financial statements, were prepared in accordance with the generally accepted accounting principles and standards described in Note 4.

#### d) *Consolidation principles*

The accompanying 2001 consolidated financial statements were prepared by the global integration method from the financial statements as of December 31, 2001, of the consolidated companies which are directly or indirectly more than 50% owned, and of the companies which, although not more than 50% owned, are effectively controlled and in which

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a majority of the voting rights conferred by the shares are held, and the transactions and balances between Group companies were eliminated. The equity of minority interests in the net worth and results of the consolidated dependent companies is presented under the "Minority Interests" caption in the accompanying consolidated balance sheet and under the "Income Attributed to Minority Interests" caption in the accompanying consolidated statement of income, respectively (see Note 15).

The financial statements in foreign currencies of consolidated dependent companies are translated to pesetas at the year-end exchange rates.

Also, the shareholdings in non-dependent companies 20% or more owned are valued at the fraction of the net worth represented by these holdings, net, where appropriate, of the related dividends collected and other net worth eliminations (equity method) (see Notes 4-e and 8).

Also, as is customary practice, the accompanying consolidated financial statements do not include the tax effect, if any, of including the reserves of the subsidiaries in the Controlling Company's equity accounts, since it is considered that these reserves will be used as self-financing resources at each consolidated subsidiary.

#### e) **Comparative information**

##### *The euro*

The 2000 consolidated financial statements were prepared in pesetas. However, in order to facilitate their comparison with the 2001 consolidated financial statements, the figures in the consolidated balance sheet as of December 31, 2000, and in the consolidated statements of income and of changes in financial position for the year then ended were translated to euros at the exchange rate established by Article 2 of Law 46/1998 on the introduction of the euro (€1/Ptas.166,386), and taking into account the related rounding off.

Also, in order to be able to adequately compare the figures for the two years, the matters described in Notes 4-a and 4-d must be taken into account.

##### *Changes in the scope of consolidation*

The most significant variations in the scope of consolidation in 2001 were as follows (see Notes 6, 7, 8, 15 and 23):

- • On December 1, 2001, the dependent company SESA Sistemas Eléctricos, S.A. acquired from Vestas Wind System, A/S 40% of the holding in the dependent company Gamesa Eólica, S.A. for approximately €286,969,000, giving rise to goodwill of approximately €251,114,000, which management of the Controlling Company assigned to the expectation of obtaining income in future years (see Note 9). Management of the Controlling Company considers that 20 years is the minimum period during which this goodwill will contribute to the generation of income for the Gamesa Group.

To cater for this transaction, the Gamesa Group arranged a bridge loan consisting of a principal amount of approximately €143,485,000 and two guarantees of approximately 71,742,000 each, maturing at 2002 and 2003 year-end, respectively, which enabled the Group to pay 50% of the agreed price prior to December 31, 2001, and to secure the deferred amount (see Notes 14 and 21). Subsequently, it will arrange a syndicated loan of approximately €286,969,000 which, on the one hand, will permit it to refinance the bridge loan and, on the other hand, pay the outstanding 50% of the purchase price. Under the conditions of this syndicated loan, repayments will be six-monthly, the first repayment being in December 2002 and the last in June 2007.

- On June 14, 2001, the dependent company Gamesa Energía, S.A. acquired a 99.88% holding in Echesa, S.A. for approximately €9,905,000, giving rise to goodwill of approximately €5,899,000. It was estimated that this goodwill will contribute to the generation of income for the Group over ten years (see Note 9). In turn, Echesa, S.A. has a 90% holding in Transmisiones Eólicas de Galicia, S.A.

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## 4. Valuation standards

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The main valuation methods applied by the Group in preparing its consolidated financial statements for 2001, in accordance with the Spanish National Chart of Accounts, were as follows:

### a) *Start-up expenses*

Start-up expenses, which comprise incorporation expenses, start-up expenses for various projects, expenses arising prior to the commencement of operations of certain investees and capital increase expenses, are recorded for the amounts incurred or paid and are amortized on a straight-line basis over a maximum of five years from the date of commencement of production. The costs incurred in aeronautical projects are amortized on an increasing-charge basis to reflect the estimated production. This caption also includes the expenses incurred in the start-up of the aeronautical business, the net amount of which amounted to €4,660,000 as of December 31, 2001, which are amortized over a maximum period of five years from the date of commencement of production on an increasing-charge basis to reflect the production achieved in the year.

Approximately €1,706,000 of amortization of start-up expenses were charged to income in 2001, and this amount was recorded under the "Period Depreciation and Amortization" caption. The additions to this caption in 2001 amounted to approximately €2,549,000. The transfers amounted to approximately €8,915,000 (see Notes 6 and 7), and relate to capitalized wind-powered facility expenses incurred in connection with civil engineering work and expenses associated with fixed assets, which were recorded as an addition to tangible fixed assets since it was considered that it was more appropriate to classify them in this way. The effect of this change in method, i.e. with respect to the situation had it been applied from January 1, 2000, would have reduced the period amortization for 2000 by approximately €1,500,000.

### b) *Intangible assets*

Intangible assets are recorded at cost, except for certain rights on leased assets that were revalued pursuant to Álava Regulation 4/1997 (see Note 13); in-house work performed by the consolidated companies on fixed assets is recorded at the accumulated cost resulting from adding to external costs the internal costs calculated on the basis of the hourly costs of the personnel performing the work. These expenses are specifically itemized by project and their allocation over time is clearly defined. Also, management of the GAMESA Group has sound reasons to anticipate the technical success and economic and commercial profitability of these projects, based on the percentage of completion of its projects and especially on its backlog. The Group companies basically amortize their intangible assets over a period of five years from when production of units under the capitalized project commences, at increasing rates based on estimated production (see Note 6).

The expenses incurred in connecting the Group's wind-powered facilities to the electricity distribution system are recorded at cost and are amortized over 15 years from the date of entry into operation of the related wind-powered facility (see Note 4-d).

Rights on leased assets are recorded as intangible assets at the cost of the related assets, and the total debt for lease payments plus the amount of the purchase option are recorded as a liability. The difference between the two amounts, which represents the interest expenses on the transaction, is recorded under the "Deferred Charges" caption and is allocated to income each year by the interest method (see Note 6). These assets are amortized using the same methods as those used to depreciate tangible fixed assets.

### c) *Tangible fixed assets*

Tangible fixed assets are basically recorded at cost. However, certain Group companies record their tangible fixed assets at cost revalued pursuant to Álava Regulation 42/1990 on the 1992 budget for Álava and Álava Regulation 4/1997 (see Notes 7 and 13).

Period upkeep and maintenance expenses are expensed currently. The costs of expansion or improvements leading to a lengthening of the useful lives of the assets are capitalized.

In-house work performed by the consolidated companies on fixed assets is recorded at the accumulated cost which results from adding to external costs the internal costs calculated on the basis of the hourly costs of the personnel performing the

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work. These projects relate mainly to the construction of wind-powered facilities the fixed assets for which are manufactured by dependent companies of Gamesa Energía, S.A. (see Note 7). Also, the Company capitalizes to the cost of the wind-powered facilities, the interest expenses incurred during the installation phase until the wind-powered facilities are ready to come into operation.

**d) Depreciation of tangible fixed assets**

The consolidated companies generally depreciate their tangible fixed assets by the straight-line method at annual rates based on the following years of estimated useful life:

	<i>Years of Estimated Useful Life</i>
Structures	25 – 33.33
Technical installations and machinery	5 – 15
Other tangible fixed assets	3 – 10

Depreciable tangible fixed assets (excluding structures) relating to the aeronautical projects, which as of December 31, 2001, had a net book value of €55,169,000 (see Note 7) are depreciated at increasing rates based on estimated production, taking the maximum useful life of the project to be eight to ten years from the date of commencement of production under the project.

In 2001 the operators of the wind-powered facilities, in order to adapt to standard practice in their industry and make a better estimate of the years of effective useful life of the facilities, changed the years of estimated useful life of its installations, in accordance with the results of, and supported by, the technical reports issued by an independent expert (changing from 12.5 years to 15–18 years depending on the type of wind generator). The effect that this change of estimate would have had on income for 2000 would have been to reduce the period depreciation for 2000 by approximately €2,400,000.

**e) Long- and short-term financial investments**

Financial investments relating to holdings of less than 20% in companies and to holdings in companies not consolidated because their effect on the accompanying consolidated financial statements is of scant materiality are valued at acquisition cost. However, if the acquisition cost of these holdings exceeds their underlying book value, adjusted by the amount of the unrealized gains disclosed at the time of the acquisition and still existing at the date of subsequent valuation, the Group records the related provisions to cover the possible losses which could arise in realizing these financial investments (see Note 8).

The short-term financial investments, basically eurodeposits and similar financial assets, are valued at effective acquisition cost plus the amount of unmatured interest earned at year-end. This value is lower than redemption value (see Note 12).

**f) Treasury stock**

On June 23, 2001, as in the preceding year, the Special Shareholders' Meeting resolved to authorize the acquisition of shares issued by the Controlling Company, up to 5% of its capital stock, for delivery to the Group's directors and employees, either directly or as a result of the exercise of stock option rights by persons holding these rights under an incentive plan, or for sale under freely established terms and conditions. Accordingly, the treasury stock will in no case be retired.

As of December 31, 2001, there were two types of treasury stock: on the one hand, treasury stock assigned to the incentives plan in the form of stock options explained in Note 4-ñ and, on the other, treasury stock for ordinary trading on the stock exchange. The shares of treasury stock assigned to Phase II of the incentive plan are specifically identified and are valued, on the basis of the hedging transaction explained in Note 4-ñ, at acquisition cost, provided that is it greater than the market price of the shares. If the market price were lower, the shares would be valued in the same way as the rest of the treasury stock since, in this case, the executives would not obtain any stock option and the hedging transaction would therefore cease to exist (see Note 4-ñ).

The second type of treasury stock is valued at the lower of acquisition cost or market. Market value is deemed to be the lower of the following three values: market price on the last day of the year; average market price of the last quarter; or the underlying

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book value of the shares. Negative differences between the acquisition cost of the treasury stock and its market price is recorded with a charge to the consolidated statement of income. However, negative differences between market price and the adjusted underlying book value is recorded as a reduction of the unrestricted reserves of the Controlling Company. As of December 31, 2001, the Controlling Company recorded approximately €2,832,000 with a charge to the "Variation in Control Portfolio Provisions" caption in the consolidated statement of income, and approximately €6,131,000 with a charge to the "Other Reserves - Voluntary Reserves" caption in the consolidated balance sheet (see Note 13).

The stock market treasury stock trading transactions gave rise to a loss of approximately €525,000, and this amount is recorded under the "Losses on Transactions Involving Treasury Stock and Own Debentures" caption in the consolidated statement of income (see Notes 13 and 23).

Lastly, in 2001 the Controlling Company sold 650,000 shares of treasury stock, relating to own shares not assigned to the incentive plan, to BBVA at an average cost of €24.61 (see Note 13). On this same date an equity swap contract was arranged with this bank, the notional amount of which are these 650,000 shares of the Controlling Company at €24.61/share, which expires on July 24, 2004, at which time the result of this transaction will be settled in cash. Since the risks inherent to the fluctuations in the market value of this treasury stock (upwards or downwards) with respect to the previous share price and the economic rights (dividends) continue to correspond to the Controlling Company, this transaction was recorded for the related notional amount (to reflect the rights and obligations under this contract) under the "Long-Term Financial Investments" and "Long-Term Debt - Other Accounts Payable" captions in the accompanying consolidated balance sheet. The finance entity obtains interest on the transaction, based on the notional amount, through the expiration thereof, and the Controlling Company records this interest as a financial expense on an accrual basis. Based on the market value of the shares at 2001 year-end, the Controlling Company recorded a provision of €5,987,000 with a charge to the "Losses on Transactions Involving Treasury Stock and Own Debentures" caption in the consolidated statement of income (see Note 8).

#### **g) Goodwill in consolidation**

Management of the Gamesa Group amortizes goodwill arising in the acquisition of holdings in companies and assigned to expectations of future income over the estimated period over which it is expected to contribute to the generation of income, up to a maximum period of 20 years. At each year-end, management of the Controlling Company reassess this situation and, in the event if a worsening of the recovery expectations relating to any item of goodwill, the latter is written-off in full with a charge to income.

The period amortization of goodwill is recorded under the "Amortization of Goodwill in Consolidation" caption in the accompanying consolidated statement of income.

However, the acquisition of a 30% holding in Gamesa Energía, S.A. in June 2000 gave rise to goodwill of €107,882,000, for which Gamesa management estimated, in accordance with the aforementioned method, a recovery period of ten years. However, taking a stance of utmost prudence, this goodwill was amortized in full against reserves (additional paid-in capital).

#### **h) Inventory valuation**

Inventories of raw materials and other supplies, work-in-process and finished products are mainly valued at the lower of average acquisition or manufacturing cost or market.

Commercial inventories are generally recorded at the lower of latest invoice price or market, which does not differ significantly from FIFO cost.

Work-in-process inventories relating to wind generator sale contracts entered into by Gamesa Eólica, S.A. and its dependent companies were valued by applying the percentage-of-completion method, whereby the income is defined as the result of recognizing the margin on each wind generator basically on the basis of the actual costs incurred with respect to the total costs to be incurred until the wind generator has been installed and made available to the customer for its entry into service. This valuation method is used by the Group for all the wind generators which have been completed as of December 31, which have been assigned to a specific contract in which all the obligations and conditions of the transaction are specified and the selling price established, and for which there is no foreseeable risk of the transaction being cancelled. When a final loss is projected for a particular wind-powered facility, such loss is recorded in full as soon as it becomes known. Customer advances arising from prebillings made pursuant to each contract by the dependent company Gamesa Eólica, S.A. in relation to work-in-process to which the percentage-of-completion method has been applied are recorded as a reduction of the

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"Inventories" caption (see Notes 3-b and 10). When sales are recognized, these billings are written off with a credit to the "Net Sales" caption, and the related accrued costs recorded as work-in-process are written off with a charge to the "Materials Used in Operation and Other External Expenses" caption in the consolidated statement of income. Also, the percentage-of-completion method is applied by the Gamesa Group to inventories relating to civil engineering work-in-process.

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

**i) Allowance for bad debts**

The allowance for bad debts is generally determined on the basis of an itemized analysis of the economic and financial situation of each of the customers of the consolidated companies and of the estimated amount of uncollectable receivables.

**j) Deferred revenues**

This caption includes mainly subsidies obtained but not yet credited to income by Gamesa Producciones Aeronáuticas, S.A. and Gamesa Desarrollos Aeronáuticos, S.A. for various projects.

The capital subsidies granted by government agencies are recorded in the year in which they are granted, and are allocated to income, starting when depreciation of the subsidized assets commences, on a straight-line basis over a period similar to the useful life of these assets (see Notes 4-a, 4-b, 4-c, 6 and 7). Approximately €1,198,000 were taken to the accompanying 2001 consolidated statement of income in this connection and this amount is recorded under the "Capital Subsidies Transferred to Income for the Year" caption.

Operating subsidies are taken to income in the year in which they are granted. €1,520,000 were recorded in this connection in the accompanying 2001 consolidated statement of income, and this amount is recorded under the "Other Operating Revenues" caption.

**k) Provisions for contingencies and expenses**

This caption includes the provisions for third-party liability recorded to cover possible losses arising from litigation and other contingencies, mainly warranties relating to for sales of wind generators, which will probably give rise to liabilities for the companies (see Note 21).

**l) Classification of debt**

Debts maturing at over 12 months from the balance-sheet date are classified as long-term debt.

**m) Corporate income tax**

The expense for corporate income tax of each year is calculated on the basis of each consolidated company's book income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, net of tax relief, tax credits and tax loss carryforwards, excluding tax withholdings and prepayments.

In accordance with the accounting principle of prudence, the consolidated companies generally do not record the tax asset arising from tax losses (see Note 17).

In application of the tax regime for business-promotion companies and foreign-securities holding companies, the tax benefit relating to investment tax credits, double taxation tax credits and the non-inclusion in taxable income of certain earnings is treated as a reduction of corporate income tax in the year in which it is taken.

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**n) Termination indemnities**

Under current labor regulations, the consolidated companies are required to make indemnity payments to employees terminated under certain conditions.

In 2001 the dependent companies of Gamesa Producciones Aeronáuticas, S.A. and Moasa, Montajes Aeronáuticos, S.A. presented a labor force reduction plan which affected 249 employees, of whom 110 were temporary employees. The total expense for the Group arising from the termination indemnities paid to the workers was approximately €2,172,000, and this amount was recorded under the "Prior Years' Expenses and Losses" caption in the accompanying consolidated statement of income. As of December 31, 2001, approximately €197,000 were recorded under the "Compensation Payable" caption relating to provisions recorded for the outstanding termination indemnities.

**ñ) Commitments to employees**

On October 6, 2000, the Shareholders' Meeting of the Controlling Company approved the "Incentive Plan for Board Members and Company and Subsidiary Employees". Based on this decision, it was agreed that the Incentive Plan would be implemented progressively through the approval of the following phases.

As of December 31, 2001, Phases I and II of this Incentive Plan were established with the following features:

- Phase I: a number of stock options was established for a maximum of 90 Group executives and a maximum of 570,000 options. The specific number of options corresponding to each beneficiary depends on the fulfillment of certain conditions relating to the period from 2001 to 2003 and to the market price of the Company's shares obtained at the end of the period, the degree to which the Strategic Plans of the Controlling Company and the dependent company employing the executive are met and the extent to which the annual objectives of the beneficiary are met. The number of options that will correspond to each executive will be calculated by multiplying the number of options obtained by the difference between the price of each share as of December 31, 2003 and €24.50, divided by the share market price at the end of the period.
- Phase II: a number of stock options was established for a maximum of 45 Group directors and executives and a maximum of 810,999 options. The exercise of the options is subject to the individual annual objectives of the beneficiaries being met during the period from 2001 to 2003. The number of shares that will correspond each beneficiary will be calculated by multiplying the number of options obtained by the difference between the value of each share as of December 31, 2003, and €12.6, divided by the share market price at the end of the period (see Note 4-f).

In both phases, the options will be settled at the end of the period through the delivery of the related equivalent number of shares for no economic consideration of any kind.

To cater for Phase II of the Incentive Plan, the Controlling Company has locked 811,000 shares of treasury stock at €12.6 per share, for a total amount of €10,218,000, which will be used, on the one hand, to deliver to the beneficiaries the shares obtained on the basis of the foregoing, and on the other, as a hedge. The remaining shares will be sold at that date so that the gain obtained offsets exactly the cost of the shares delivered. Accordingly, these shares of treasury stock are acting as a hedging instrument to offset the cost, if any, of this Incentive Plan and, accordingly, no provision was recorded in this connection (see Notes 4-f and 13).

Lastly, as regards Phase I, since the market price of the shares at year-end was less than €24.5, signifying that no options would derive from this phase, as of December 31, 2001, no provision was required in this connection.

The Controlling Company will bear in full such cost as may arise as a result of these Incentive Plans (both the cost relating to its employees and that of the executives of the dependent companies).

**o) Foreign currency transactions**

Receivables and payables denominated in foreign currencies are translated to euros at the exchange rates ruling at the transaction date, and are adjusted at year-end to the exchange rates then prevailing. However, the exchange rate set in the related hedging contracts were used for the translation of transactions in U.S. dollars carried out by certain com-

panies in the aeronautical line of business (see Note 20).

Exchange differences arising on adjustment of unhedged foreign currency accounts payable and receivable to year-end exchange rates are classified by due date and currency, and for this purpose currencies which, although different, are officially convertible are grouped together.

The positive net differences in each group of currencies are recorded under the "Deferred Revenues" caption on the liability side of the consolidated balance sheet. The negative differences in each group are charged to income.

**p) Recognition of revenues and expenses**

Revenues and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principle of prudence, only realized income at year-end is recorded, whereas foreseeable contingencies and losses, including possible losses, are recorded as soon as they become known.

In 1998, the Controlling Company sold to Nefinsa a 30% holding in Gamesa Energía, S.A. (an ownership interest that was recovered on June 30, 2000). The related agreement stipulated that, in addition to the sale price, the seller would also collect an additional amount of €9,015,000 in the event that a certain level of installed capacity were achieved by December 31, 2001. This installed capacity was achieved in 2001 and, accordingly, as of December 31, 2001, this amount was recorded under the "Extraordinary Revenues" caption in the accompanying consolidated statement of income and the related account receivable was recorded under the "Sundry Accounts Receivable" caption in the accompanying consolidated balance sheet (see Note 11). The full amount of this balance had been collected at the date of preparation of these consolidated financial statements.

## 5. Distribution of income

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The proposed distribution of 2001 net income that the Board of Directors of Grupo Auxiliar Metalúrgico, S.A. (the Controlling Company of the Gamesa Group) will submit for approval by the Shareholders' Meeting is as follows:

	<i>Thousands of Euros</i>
<b>Basis of distribution:</b>	
Income for the year	<b>7,074</b>
	7,074
<b>Distribution to:</b>	
Legal reserve	707
Voluntary reserves	6,367
<b>TOTAL</b>	<b>7,074</b>

## 6. Intangible assets

The variations in 2001 in the "Intangible Assets" accounts and in the related accumulated amortization were as follows:

	<i>Thousands of Euros</i>					
	<i>Balance at 12/31/00</i>	<i>Variations in the Scope of Consolidation (Notes 3-e and 23)</i>	<i>Additions or Provisions (Note 23)</i>	<i>Retirements (Note 23)</i>	<i>Transfers (Notes 4-a and 7)</i>	<i>Balance at 12/31/01</i>
<b><i>COST:</i></b>						
Research and development expenses	180,862	-	46,543	(7,426)	-	219,979
Administrative concessions	6,828	-	-	-	-	6,828
Intellectual property	134	-	-	-	-	134
Computer software	5,872	64	2,069	(159)	153	7,999
Rights on leased assets	3,477	2,970	-	-	(353)	6,094
<b>TOTAL COST</b>	<b>197,173</b>	<b>3,034</b>	<b>48,612</b>	<b>(7,585)</b>	<b>(200)</b>	<b>241,034</b>
<b><i>ACCUMULATED AMORTIZATION:</i></b>						
Research and development expenses	(71,337)	-	(2,247)	-	1,140	(72,444)
Administrative concessions	(479)	-	(232)	-	-	(711)
Intellectual property	(132)	-	(2)	-	-	(134)
Computer software	(1,392)	(19)	(429)	6	(601)	(2,435)
Rights on leased assets	(85)	(255)	(347)	-	(483)	(1,170)
<b>TOTAL ACCUMULATED AMORTIZATION</b>	<b>(73,425)</b>	<b>(274)</b>	<b>(3,257)</b>	<b>6</b>	<b>56</b>	<b>(76,894)</b>
Allowance for diminution in value	-	-	(9,015)	-	-	(9,015)
<b>TOTAL, NET</b>	<b>123,748</b>	<b>2,760</b>	<b>36,340</b>	<b>(7,579)</b>	<b>(144)</b>	<b>155,125</b>

The detail of the intangible assets, by line of business, as of December 31, 2001, is as follows:

	<i>Thousands of Euros</i>			
	<i>Historical Cost</i>	<i>Accumulated Amortization</i>	<i>Allowance for Diminution in Value</i>	<i>Total, Net</i>
<b>- Energy</b>				
- Wind powered facilities	7,043	(777)	-	6,266
- Manufacture of wind generators	18,476	(4,678)	-	13,798
	<b>25,519</b>	<b>(5,455)</b>	<b>-</b>	<b>20,064</b>
<b>- Aeronautical</b>	<b>215,433</b>	<b>(71,367)</b>	<b>(9,015)</b>	<b>135,051</b>
<b>- Other</b>	<b>82</b>	<b>(72)</b>	<b>-</b>	<b>10</b>
<b>TOTAL</b>	<b>241,034</b>	<b>(76,894)</b>	<b>(9,015)</b>	<b>155,125</b>

The intangible assets of the dependent company Gamesa Producciones Aeronáutica, S.A. include research and investigation expenses assigned to the development of the SJ-30 program. When the tools and prototypes relating to this program had been fully developed, due to differences of opinion with the contracting company, it was agreed that this dependent company would not mass produce the aeronautical components. Although partial agreements were reached with the contracting company in 2001, which led to the sale and collection of a portion (€15.5 million) of the investment made in the program (€7,426,000 and €8,093,000 of intangible assets and tangible fixed assets, respectively) negotiations are currently in progress to determine the selling price of the remaining assets assigned to this program, the book value of which amounts to €16.2 million (net book values of €14,837,000 and €1,419,000 for intangible assets and tangible fixed assets, respectively). Accordingly, and in accordance with the accounting principle of prudence, a provision of €9,015,000 was recorded with a charge to "Extraordinary Expenses" for 2001 to cover any losses that might arise as a result of the transfer of these assets (see Note 7).

The main addition to the balance of the "Research and Development Expenses" caption was due to the development of aeronautical projects for approximately €42,165,000, and the remainder relates mainly to the business activity of Gamesa Eólica, S.A. The net balance as of December 31, 2001, of the "Research and Development Expenses" recorded at Gamesa Aeronáutica, S.A. and dependent companies and Gamesa Producciones Aeronáuticas, S.A. amounted to approximately €110,124,000 and €28,752,000, respectively. These expenses relate to the S-92, ERJ/145XR, ERJ/170 and A-380 projects, production of which will foreseeably commence in 2002-2003.

As of December 31, 2001, the total costs incurred, net of the related amortization, in aeronautical industry projects, which are recorded under the "Fixed and Other Noncurrent Assets" caption (see Notes 4-a, 4-b, 4-c, 7 and 21) on the asset side of the accompanying consolidated balance sheet, amounted to approximately €206,189,000, of which approximately €130,343,000 relate to projects in which the production phase has not yet started (amortization will start to be taken when production commences) but will foreseeably commence in 2002 and 2005. It is estimated that additional costs of approximately €12,280,000 will be incurred in this connection.

The "Administrative Concessions" caption in the table above includes mainly the expenses required to connect certain wind-powered facilities to the electricity distribution system.

The GAMESA Group is leasing the following assets:

	<i>Thousands of Euros</i>						
	<i>Original Cost of the Asset (Including Purchase Option)</i>	<i>Value of Purchase Option</i>	<i>Contract Term (Lease Payments)</i>	<i>Period Elapsed (Lease Payments)</i>	<i>Prior Years' Lease Payments</i>	<i>2001 Lease Payments</i>	<i>Lease Payments Outstanding (Note 14)</i>
G. Eólica industrial building, Pamplona	3,124	533	120	66	1,004	424	2,675
Computer hardware	115	3	60	12	17	33	78
Machinery	2,756	53	60	24	690	447	2,283
Transport equipment	99	9	60	12	45	30	51
	<b>6,094</b>	<b>598</b>			<b>1,756</b>	<b>934</b>	<b>5,087</b>

## 7. Tangible fixed assets

The variations in 2001 in tangible fixed asset accounts and in the related accumulated depreciation were as follows:

	<i>Thousands of Euros</i>					
	<i>Balance at 12/31/00</i>	<i>Additions or Provisions (Note 23)</i>	<i>Retirements (Notes 6 and 23)</i>	<i>Variations in the Scope of Consolidation (Notes 3-e and 23)</i>	<i>Transfers (Notes 4-a and 6)</i>	<i>Balance at 12/31/01</i>
<b><i>COST:</i></b>						
Land and structures	43,344	10,322	(337)	4,692	2,584	60,605
Technical installations and machinery	241,268	225,178	(2,633)	9,179	15,022	488,014
Other tangible fixed assets	69,986	33,024	(8,996)	2,338	304	96,656
Construction in progress	12,571	16,966	(16,660)	186	(8,794)	4,269
<b>TOTAL COST</b>	<b>367,169</b>	<b>285,490</b>	<b>(28,626)</b>	<b>16,395</b>	<b>9,116</b>	<b>649,544</b>
<b><i>ACCUMULATED DEPRECIATION:</i></b>						
Structures	(4,156)	(6,119)	130	(481)	(28,449)	(39,075)
Technical installations and machinery	(38,968)	(23,531)	795	(3,924)	16	(65,612)
Other tangible fixed assets	(37,870)	(4,513)	284	(934)	28,376	(14,657)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(80,994)</b>	<b>(34,163)</b>	<b>1,209</b>	<b>(5,339)</b>	<b>(57)</b>	<b>(119,344)</b>
Allowance for diminution in value	(205)	-	-	-	-	(205)
<b>TOTAL, NET</b>	<b>285,970</b>	<b>251,327</b>	<b>(27,417)</b>	<b>11,056</b>	<b>9,059</b>	<b>529,995</b>

The detail of the tangible fixed assets, by line of business, as of December 31, 2001, is as follows:

	<i>Thousands of Euros</i>			
	<i>Historical Cost</i>	<i>Accumulated Depreciation</i>	<i>Allowance for Diminution in Value</i>	<i>Total Net</i>
<b>- Energy</b>				
- Wind powered facilities	415,797	(39,416)	-	376,381
- Manufacture of wind generators	85,681	(32,263)	-	53,418
	<b>501,478</b>	<b>(71,679)</b>	-	<b>429,799</b>
<b>- Aeronautical</b>	<b>138,528</b>	<b>(44,679)</b>	<b>(205)</b>	<b>93,644</b>
<b>- Other</b>	<b>9,538</b>	<b>(2,986)</b>	-	<b>6,552</b>
<b>TOTAL</b>	<b>649,544</b>	<b>(119,344)</b>	<b>(205)</b>	<b>529,995</b>

The detail of the period depreciation is as follows:

	<i>Thousands of Euros</i>
<b>Energy</b>	
- Wind powered facilities	(15,162)
- Manufacture of wind generators	(10,677)
	<b>(25,839)</b>
<b>- Aeronautical</b>	<b>(7,962)</b>
<b>- Other</b>	<b>(362)</b>
<b>TOTAL</b>	<b>(34,163)</b>

As indicated in Notes 4-c and 13, certain consolidated companies revalued their tangible fixed assets pursuant to the Asset Revaluation 1983 Budget Law, Álava Regulation 4/1997 and Álava Regulation 42/1990.

The dependent companies Gamesa Producciones Aeronáuticas, S.A. (see Note 2) and Echesa, S.A. (see Notes 2-e and 3-e) have mortgaged certain of their tangible fixed assets as security for loans, for a net book value of approximately €9,637,000 and €2,276,000, respectively, received from various finance entities (see Note 14).

The main additions to this caption were due to the construction of wind-powered facilities for approximately €219,680,000. As of December 31, 2001, this caption included approximately €376,381,000, net of depreciation, relating to wind-powered facilities, and approximately €14,394,000 of depreciation were charged to the accompanying 2001 consolidated statement of income in this connection. Some of these wind-powered facilities came into service during 2001 and others, with a net book value of €6,637,000, will come into service in 2002. Also, the dependent companies operating in the aeronautical industry invested around €48,635,000, basically in new facilities and tools for new aeronautical projects.

Approximately €19,484,000 of tangible fixed assets had been fully depreciated and were still in use as of December 31, 2001, relating common to molds and tools for the manufacture of wind generators.

The Gamesa Group takes out insurance policies to adequately insure its fixed assets. Additionally, Gamesa Eólica, S.A. has taken out insurance policies to cover wind generators at the assembly phase and throughout the two-year warranty period.

## 8. Long-term financial investments

The variations in the "Long-Term Financial Investments" accounts in 2001 were as follows:

	<i>Thousands of Euros</i>					
	<i>Balance at 12/31/00</i>	<i>Variations in the Scope of Consolidation (Notes 3-e and 23)</i>	<i>Additions (Note 23)</i>	<i>Transfers</i>	<i>Retirements (Note 23)</i>	<i>Balance at 12/31/01</i>
Holdings in companies carried by the equity method	276	-	160	-	-	436
Long-term investment securities	435	(11)	213	-	(15)	622
Other loans	4,808	-	16,427	1,055	-	22,290
Deposits and guarantees	1,783	-	57	(1,055)	(25)	760
Provisions	(146)	-	(6,101)	-	-	(6,247)
<b>TOTAL</b>	<b>7,156</b>	<b>(11)</b>	<b>10,756</b>	<b>-</b>	<b>(40)</b>	<b>17,861</b>

### *Other loans*

- In 1999, prior to the stock market flotation the Controlling Company sold 50% of its holding in Promoauto Desarrollo Automoción, S.A. to MCC. The agreement entered into for this sale stipulated that the dependent company of Promoauto Desarrollo Automoción, S.A., CRAFTMSA (an Argentine company), was not included in the valuation for the purpose of the price agreed on with MCC and that, should it be sold, the Controlling Company would receive from MCC the amount corresponding to it. Accordingly, the Controlling Company has recognized an account receivable of approximately €4,808,000 relating to the underlying book value of this company as of the agreement date, which, in accordance with the accounting principle of prudence, was not recorded as revenue, and, since then, a provision for this amount has been recorded under the "Provisions for Contingencies and Expenses" caption (see Note 21) until the related amount is realized.
- On July 2, 2001, the Controlling Company sold 650,000 shares of treasury stock to BBVA at their cost value of €24.6 per share. An Equity Swap contract was then entered into with BBVA, whereby, once the underlying asset had been established as 650,000 shares of the Controlling Company, the Controlling Company undertook to pay or collect at the final settlement date the positive or negative difference that arose between the final price of each share and €24.61. The swap expires on July 5, 2004 and the final settlement date is three working days afterwards. The final price established will be the arithmetic mean of the swap prices exercisable by BBVA during the 26 trading sessions prior to the final settlement date based on the daily trading volume. If the share price falls, the payor will be the Controlling Company, and if it rises, the payor will be BBVA. A provision of €5,987,000 had been recorded in this connection as of December 31, 2001 (see Notes 4-f and 21).

### *Holdings in companies carried by the equity method*

The detail is as follows:

<i>Company</i>	<i>% of Direct or Indirect Ownership</i>	<i>Thousands of Euros</i>
Gerr Grupo Energético XXI, S.A.	50%	153
Lucainena Solar, S.A.	49%	32
European Virtual Engineering, S.A.	15%	91
Urgeban, S.A.	40%	120
Siglo XXI Solar, S.A.	20%	20
Eólica Da Cadeira, S.A.	33%	20
		<b>436</b>

## 9. Goodwill in consolidation

The breakdown of this caption in the accompanying consolidated balance sheet is as follows:

	<i>Thousands of Euros</i>		
	<i>Gross Amount</i>	<i>Accumulated Amortization</i>	<i>Net</i>
Gamesa Eólica, S.A.	251,114	1,046	250,068
Echesa, S.A.	5,899	393	5,506
Sistemas Energéticos Mañón Ortigueira, S.A.	597	133	464
Sistemas Energéticos La Muela, S.A.	358	80	278
	<b>257,968</b>	<b>1,652</b>	<b>256,316</b>

The variations in 2001 in the balance of these captions in the accompanying consolidated balance sheet were as follows:

	<i>Thousands of Euros</i>
Balance at 12/31/00	955
Add- Changes in the percentage of ownership and inclusion of new companies (Notes 3-e and 4-g)	257,013
Less- Period amortization	(1,652)
<b>BALANCE AT 12/31/01</b>	<b>256,316</b>

## 10. Inventories

The detail of this caption in the accompanying consolidated balance sheet as of December 31, 2001, is as follows:

	<i>Thousands of Euros</i>		
	<i>Renewable Energies</i>	<i>Aeronautical</i>	<i>Total</i>
Commercial inventories	230	-	230
Raw materials and other supplies	41,493	76,596	118,089
Work-in-process and finished products	130,469	32,178	162,647
Advances to suppliers	5,613	703	6,316
Customer advances (Notes 3-b and 4-h)	(32,970)	-	(32,970)
<b>TOTAL</b>	<b>144,835</b>	<b>109,477</b>	<b>254,312</b>
Allowance for diminution in value	(191)	(257)	(448)
<b>NET BALANCE</b>	<b>144,644</b>	<b>109,220</b>	<b>253,864</b>

The customers advances received during the manufacture of wind generators are transferred from the "Trade Accounts Payable" caption to the "Inventories" caption for wind generators to which the percentage-of-completion method was applied, for the lower of the total amount advanced or the book value of the wind generators.

## 11. Other accounts receivable

The detail of this caption in the accompanying consolidated balance sheet as of December 31, 2001, is as follows:

	<i>Thousands of Euros</i>
Sundry accounts receivable (Note 4-p)	9,046
Employee receivables	563
Tax receivables (Note 17)	63,068
<b>TOTAL</b>	<b>72,677</b>

## 12. Short-term financial investments

The detail of this caption in the accompanying consolidated balance sheet as of December 31, 2001, is as follows:

	<i>Thousands of Euros</i>
Short-term investment securities	78,375
Deposits and guarantees	1,101
<b>TOTAL</b>	<b>79,476</b>

The short-term investment securities relate mainly to the amounts held by the Controlling Company and the Energy Systems Division in eurodeposits and government debt securities maturing in January 2002, which earn average interest of approximately 3.4%.

## 13. Shareholders' equity

The variations in equity accounts in 2001 were as follows:

	<i>Thousands of Euros</i>									
	<i>Capital Stock</i>	<i>Additional Paid-In Capital</i>	<i>Legal Reserve</i>	<i>Revaluation Reserve</i>	<i>Other Reserves</i>	<i>Euro Adjustment Reserve</i>	<i>Reserve for Treasury Stock</i>	<i>Reserves at Consolidated Companies</i>	<i>Translation Differences</i>	<i>Income for the Year</i>
Balance at December 31, 2000	40,550	48,910	6,171	1,139	4,052	1	9,551	45,017	8	45,146
Distribution of 2000 income	-	-	1,134	-	10,200	-	-	33,812	-	(45,146)
Acquisition of treasury stock (Note 4-f)	-	-	-	-	(3,104)	-	3,104	-	-	-
Reserve for Treasury stock provision (Note 4-f)	-	-	-	-	(6,131)	-	-	-	-	-
Variation in translation differences at dependent companies	-	-	-	-	-	-	-	-	396	-
Income for the year	-	-	-	-	-	-	-	-	-	62,062
<b>Balance at December 31, 2001</b>	<b>40,550</b>	<b>48,910</b>	<b>7,305</b>	<b>1,139</b>	<b>5,017</b>	<b>1</b>	<b>12,655</b>	<b>78,829</b>	<b>404</b>	<b>62,062</b>

### ■ *Capital stock*

The capital stock of Grupo Auxiliar Metalúrgico, S.A. as of December 31, 2001, amounted to €40,549,984, represented by book entries, and consisted of 81,099,968 fully subscribed and paid common registered shares of €0.5 par value each.

As of December 31, 2001, the shareholder structure of the Controlling Company was as follows (see Note 16):

	<i>% of Ownership</i>
Corporación IBV, Servicios y Tecnologías, S.A.	37.78%
Nefinsa	21.28%
MECANUSA	3.93%
Other (*)	37.01%
	<b>100%</b>

(\*) All with an ownership interest of less than 10%

The Controlling Company is listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and its shares have been traded on the Spanish computerized trading system since October 31, 2000.

#### ■ *Revaluation Reserve Álava Regulation 4/1997*

The balance of the "Revaluation Reserve Álava Regulation 4/1997" account, which includes the net effect of the asset revaluation approved by Álava Regulation 4/1997, of which the Controlling Company availed itself, is restricted and cannot be distributed unless the related taxes are paid. The period for reviewing the accounts is five years from the date of the balance sheets reflecting the revaluation. Thereafter, or once the balance of these accounts has been reviewed, the applicable legislation establishes that this balance can be used to offset recorded losses or to increase capital, or can be taken to restricted reserves.

The account can be converted into capital at one or several times once accumulated losses have been eliminated. Simultaneously, the legal reserve can be increased by up to 20% of the amount added to capital stock.

#### ■ *Additional paid-in capital*

The additional paid-in capital relates in full to the Controlling Company.

The revised Corporations Law expressly permits the use of the additional paid-in capital balance to increase capital and establishes no specific restrictions as to its use.

#### ■ *Legal reserve*

The legal reserve relates in full to the Controlling Company.

Under the revised Corporations Law, 10% of income for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of capital stock.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount. Otherwise, until the legal reserve exceeds 20% of capital stock, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

#### ■ *Treasury stock*

In June 2001 the Special Shareholders' Meeting authorized the acquisition of shares issued by the Controlling Company, up to 5% of its capital stock, (see Note 4-f).

The detail of the treasury stock held as of December 31, 2001, and of the variations therein in 2001 is as follows:

	<i>No. of Shares</i>		<i>Thousands of Euros</i>	
	<i>Shares to Cover Stock Option Plans (Note 4-ñ)</i>	<i>Other Shares</i>	<i>Shares to Cover Stock Option Plans (Note 4-ñ)</i>	<i>Other Shares</i>
Balance at December 31, 2000	758,042	-	9,551	-
Acquisitions (Note 23)	52,958	1,295,437	667	29,192
Disposals (Note 23)	-	(738,959)	-	(17,792)
Allowance for diminution in value (Note 4-f)	-	-	-	(8,963)
<b>Balance at December 31, 2001</b>	<b>811,000</b>	<b>556,478</b>	<b>10,218</b>	<b>2,437</b>

As of December 31, 2001, the related restricted reserve for treasury stock had been recorded for the net amount of all the shares of Grupo Auxiliar Metalúrgico, S.A. held at that date.

#### ■ *Reserves at consolidated companies*

The detail of the reserves at consolidated companies (see Note 2) as of December 31, 2001, is as follows:

<i>Company</i>	<i>Thousands of Euros</i>
Other reserves of the Controlling Company	(238)
Gamesa Energía, S.A. and dependent companies	46,957
Gamesa Producciones Aeronáuticas, S.A.	22,058
Gamesa Aeronáutica, S.A. and dependent companies	8,698
Gamesa Industrial Aut., S.A.	(224)
Fibertecnic, S.A.	2,309
Componentes Aeronáuticos, S.A.	(4)
Aeromac, S.A.	(19)
Cametor, S.L.	(708)
<b>Total</b>	<b>78,829</b>

As of December 31, 2001, the balance sheets of the consolidated Group companies included the following amounts relating to restricted reserves:

	<i>Thousands of Euros</i>
Legal reserve	18,178
Asset revaluation Álava Regulation 42/1990	1,596
<b>TOTAL</b>	<b>19,774</b>

The companies, including the Controlling Company, at which the start-up expenses (see Note 4-a) and research and development expenses (see Note 6) have not been fully amortized are prohibited from distributing income unless the amount of unrestricted reserves is at least equal to the amount of the unamortized balances of these expenses.

The "Asset Revaluation Álava Regulation 42/1990" account (certain consolidated dependent companies availed themselves of the possibility of revaluing their assets pursuant to Álava Regulation 42/1998) is restricted and cannot be distributed unless the related taxes are paid. This account, pursuant to the legislation in force, must be used to eliminate book losses or to increase capital stock or be appropriated to restricted reserves.

#### ■ *Contribution to income of the consolidated companies*

The detail of the contribution by the consolidated companies as to the Group's consolidated income is as follows:

<i>Company</i>	<i>Thousands of Euros</i>
Income of the Controlling Company	7,074
Consolidation adjustments (*)	(1,769)
Consolidated companies:	
Gamesa Energía, S.A. and dependent companies (consolidated)	32,477
Gamesa Producciones Aeronáuticas, S.A.	(10,180)
Gamesa Aeronáutica, S.A. and dependent companies (consolidated)	31,934
Gamesa Industrial Aut., S.A.	1,051
Fibertecnic, S.A.	503
Coasa, Componentes Aeronáuticos, S.A.	(1)
Aeromac, S.A.	278
Gamesa Componentes Aeronáuticos, S.A.	(127)
Cametor, S.L.	822
<b>Total</b>	<b>62,062</b>

(\*) Relating basically to the elimination of dividends received.

## 14. Payable to credit entities

The detail of the balances of these captions in the accompanying consolidated balance sheet as of December 31, 2001, is as follows:

	<i>Average Interest Rate</i>	<i>Thousands of Euros</i>		
		<i>Short Term</i>	<i>Long Term</i>	<i>Total</i>
<b>By business line</b>				
- Energy				
- Wind powered facilities		136,915	258,748	395,663
- Manufacture of wind generators		23,361	168,569	191,930
		<b>160,276</b>	<b>427,317</b>	<b>587,593</b>
- Aeronautical		<b>69,338</b>	<b>72,808</b>	<b>142,146</b>
- Other		<b>1,275</b>	<b>1,788</b>	<b>3,063</b>
<b>Total</b>		<b>230,889</b>	<b>501,913</b>	<b>732,802</b>
<b>By type</b>				
- Mortgage loans	EURIBOR + 0.4%	1,063	14,788	15,851
- Personal loans	EURIBOR + 0.5%	65,866	304,311	370,177
- Credit accounts	EURIBOR + 0.5%	157,593	178,391	335,984
- Financial leases (Note 6)	EURIBOR + 1.5%	664	4,423	5,087
- Accrued interest payable		5,690	-	5,690
- Discounted drafts		13	-	13
<b>TOTAL</b>		<b>230,889</b>	<b>501,913</b>	<b>732,802</b>

The balances of the "Mortgage Loans" account in the foregoing table were granted to Gamesa Producciones Aeronáuticas, S.A. and Echesa, S.A. (see Notes 2 and 3-e), and their final maturity is in 2015 and 2011, respectively. As security, the aforementioned consolidated dependent companies have mortgaged certain of their tangible fixed assets (see Note 7).

Of the total balance of the "Personal Loans" and "Credit Accounts" captions in the table above, €298,657,000 relate to the financing provided by finance entities for the wind-powered facilities developed by the Gamesa Group. This long-term financing is classified as "Project Financing" for each individual wind powered facility and is granted for periods ranging from 10 to 12 years with installments due throughout their term, albeit with grace periods of one to two years. For these loans, which are generally syndicated loans, a "Debt Principal Servicing Annual Coverage Ratio", normally measured in general terms as the "gross cash flow" or "net cash" (collections minus payments) generated in the year, divided by the sum of the loan repayments and the interest payable on the loan in that year, must be maintained at all times. These loans bear interest tied to Euribor. However, in order to reduce the exposure to interest rate fluctuations, derivatives (IRS and collars) are arranged with finance entities to fix the interest rates within a narrower band. As of December 31, 2001, €272,694,000 of these hedged loans had matured and will be repaid largely between 2002 and 2014, the interest on which was set in a band ranging from a 4.5% to 6%.

In order to secure a portion of the long-term financing granted to the Aeronautical Division, Gamesa Producciones Aeronáuticas, S.A. and Gamesa Desarrollos Aeronáuticos, S.A. have undertaken not to charge with liens assign rights on or sell their tangible fixed assets and intangible assets until the loan has been fully repaid.

The detail, by maturity, of the "Long-Term Debt - Payable to Credit Entities" caption as of December 31, 2001, is as follows:

<i>Maturity</i>	<i>Thousands of Euros</i>
2003	41,057
2004	47,086
2005	45,242
2006	41,092
2007 and subsequent years	327,436
<b>TOTAL</b>	<b>501,913</b>

The short-term credit accounts include credit facilities with a total granted and undrawn amount of €228,173,000.

## 15. Minority interests

The variations in 2001 in the "Minority Interests" caption in the accompanying consolidated balance sheet, all of which relate to Gamesa Energía Subgroup companies, were as follows:

	<i>Thousands of Euros</i>
Balance at December 31, 2000	33,793
Variations in the scope of consolidation (Notes 3-e and 23)	(34,108)
Income for the year	18,965
Other variations (Note 23) (*)	(385)
<b>Balance at December 31, 2001</b>	<b>18,265</b>

(\*) Dividend distributed by S.E. Mañón Ortigueira, S.A.

Approximately €9,220,000 of this balance relate to the minority interests due to their 9% holding in Gamesa Eólica, S.A. (see Note 22) and the remainder relates basically to the wind-powered facilities.

## 16. Balances with associated and related companies

The breakdown of the balances with associated and related companies in the accompanying consolidated balance sheet as of December 31, 2001, is as follows:

	<i>Thousands of Euros</i>	
	<i>Balances Receivable</i>	<i>Balances Payable</i>
<b>Related companies</b>		
Promoauto, Desarrollo Automoción, S.A. (*)	95	-
Gameko, Fabricación de Componentes, S.A. (*)	37	20
Abgam, S.A. (*)	47	1,005
Alta Serie, S.A. (*)	58	-
Iberdrola, S.A. (**)	4,269	1,302
Eólicas del Sil, S.A. (*)	415	-
Amara, S.A. (*)	2	320
Centrisa, S.A. (*)	-	87
Other	2	21
<b>TOTAL RELATED AND ASSOCIATED COMPANIES</b>	<b>4,925</b>	<b>2,755</b>

(\*) Dependent companies of Corporación IBV, Servicios y Tecnologías, S.A. (Note 13).

(\*\*) Company with a 50% ownership interest in Corporación IBV, Servicios y Tecnologías, S.A.

The main balance receivable shown in the foregoing table relates to an account receivable by the dependent company Siemsa Este, S.A. and dependent companies from Iberdrola, S.A. for commercial transactions because these companies are habitual suppliers of Iberdrola, S.A. The balances payable shown in the foregoing table include mainly the commissions payable at year-end to Iberdrola, S.A. for the obtainment of contracts by Siemsa Este and dependent companies, and an account payable to Abgam, S.A. for the provision of computer and design services to the dependent aeronautical companies.

On October 2001, the Gamesa Grupo entered into a contract with CESA (a GUASCOR Group company related to MECANUSA

through common shareholders – see Note 13) for the supply in the period 2002 to 2005 of wind generators with a total capacity of 1,000 MW (see Note 1).

## 17. Tax matters

The detail of the “Other Accounts Receivable – Tax Receivables” and “Other Nontrade Payables – Accrued Taxes Payable” captions in the accompanying consolidated balance sheet as of December 31, 2001, is as follows:

<i>Tax Receivables</i>	<i>Thousands of Euros (Note 11)</i>
Social security taxes	147
VAT (*)	44,745
Tax withholdings and prepayments	451
Prepaid income taxes	5,175
Subsidies	6,493
Other receivables	6,057
<b>TOTAL</b>	<b>63,068</b>

(\*) Mainly relating to the Renewable Energy line of business

<i>Accrued Taxes Payable</i>	<i>Thousands of Euros (Note 3-b)</i>
Accrued social security taxes	3,616
VAT	5,733
Personal income tax withholdings	3,305
Corporate income tax	16,922
Deferred income taxes	6,636
<b>TOTAL</b>	<b>36,212</b>

The consolidated companies file individual tax returns.

The main Group companies generally have the last four years open for review by the tax inspection authorities for the main taxes applicable to them, except for Gamesa Eólica, S.A. which has been reviewed for corporate income tax for the years through 1998, and Gamesa Aeronáutica, S.A. which has 1999 through 2001 open for review for the main taxes applicable to it.

The reconciliation of the consolidated income per books to the estimated taxable income for corporate income tax purposes is as follows:

	<i>Increase</i>	<i>Decrease</i>	<i>Total</i>
Income per books before corporate income tax			109,192
Permanent differences			
At the individual companies	16,579	(21,333)	(4,754)
Due to consolidation adjustments	25,872	(6,632)	19,240
Timing differences:			
At the individual companies	23,952	(20,128)	3,824
Due to consolidation adjustments	4,508	(9,921)	(5,413)
Tax loss carryforwards			(3,324)
<b>Taxable income</b>			<b>118,765</b>

The positive permanent differences are due mainly to the different accounting and tax treatment of certain expenses and to the period provisions recorded which are not tax deductible.

The negative permanent differences are due mainly to the non-inclusion of certain income amounts pursuant to the special tax regime for business-promotion companies, to the application of the tax benefit for reinvestment to certain income obtained in the year and to the use of certain provisions that were not tax deductible in the year in which they were recorded.

The main positive timing differences relate to the different accounting and tax recognition methods applied to certain revenues and expenses in connection with the recording of various provisions and subsidies received, and to the amortization recorded in the year for accounting purposes relating to leased assets.

The reductions due to timing differences arose mainly due to the accelerated depreciation tax benefit taken on certain assets assigned to R&D projects and to the use of provisions not deemed to be tax deductible in the year in they were recorded.

Under current tax legislation, the tax loss of a given year can be carried forward for offset against the taxable income of the tax periods ending in the following 15 years. Accordingly, after calculating the provision for 2001 corporate income tax, the Group companies have approximately €11 million of tax loss carryforwards for offset in future years.

In 2001 the Group companies plan to take a domestic double taxation tax credit of approximately €1,415,000, leaving unused tax credits of approximately €988,000 that can be taken in future years.

Also, the Group companies have been availing themselves of the business investment tax incentives provided for in current tax legislation. In 2001 the various Group companies intend to deduct approximately €14 million of tax credits in their corporate income tax return, leaving unused tax credits of approximately €32 million that can be taken in future years.

The Controlling Company Grupo Auxiliar Metalúrgico, S.A. and the dependent company Gamesa Energía, S.A. were granted by the Álava provincial government entitlement to be taxed under the special regime for business-promotion companies provided for in Álava Corporate Income Tax Regulation 24/1996.

Certain aspects of the current tax regulations relating to the tax incentives that certain Gamesa Group companies have been availing themselves of have been challenged. However, the Controlling Company's directors do not expect any material liabilities to arise in the future in this connection.

## 18. Guarantee commitments to third parties

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In addition to the guarantees described in Notes 14 and 21, the Group has provided guarantees of €70,817,000 to non-Group companies to secure performance of the contracts involving, mainly, the business activities of the Gamesa Group's business lines. This amount includes €23,158,000 relating to the renewable energy business line, €2,969,000 to the Controlling Company and the remainder to the aeronautical business line.

The detail of the guarantees provided is as follows:

	<i>Thousands of Euros</i>
Financing guarantee	4,469
Business contract guarantee	48,785
Guarantees provided to public agencies	17,563
<b>TOTAL</b>	<b>70,817</b>

Management of the Controlling Company of the Group considers that the liabilities not foreseen as of December 31, 2001, that might arise from the guarantees provided would not be material.

## 19. Directors' compensation

In 2001 the amount earned by the directors of the Controlling Company for Board meeting attendance fees, wages and salaries and other items represented less than 0.1% of the Group's "Net Sales" figure. Executives who are directors of the companies are included in the incentive plan described in Note 4-ñ. No advances or loans have been granted to the Board members, and there are no pension, life insurance or other commitments to former or present members of the Board of Directors.

## 20. Revenues and expenses

### ■ *Net sales*

The breakdown, by market, of the GAMESA Group's consolidated net ordinary sales in 2001, is as follows:

	<i>Thousands of Euros</i>	<i>%</i>
<b>By market</b>		
Spain	447,122	60.5%
Abroad	291,357	39.5%
<b>Total</b>	<b>738,479</b>	<b>100%</b>
<b>By activity</b>		
- Energy		
Wind powered facilities	56,987	5.6%
Manufacture of wind generators	614,964	60.9%
	<b>671,951</b>	<b>66.5%</b>
- Aeronautical	<b>313,285</b>	<b>31%</b>
- Other	<b>24,700</b>	<b>2.5%</b>
- Consolidation adjustments (*)	<b>(271,457)</b>	
<b>Total</b>	<b>738,479</b>	<b>100%</b>

(\*) Relating to consolidation adjustments due to intercompany sales, mainly of wind generators, civil engineering work and services to the Group's wind-powered facility.

The Group's backlog, options and framework contracts as of December 31, 2001, amounted to €2,408,183,000, of which €1,732,297,000 related to the aeronautical division (to be carried out in the period from 2002 to 2006) and €675,886,000 to the energy division (2002 to 2004) (see Note 1).

### ■ *Purchases*

The detail of the "Materials Used in Operations and Other External Expenses" caption is as follows (in thousands of euros):

	<i>Energy</i>	<i>Aeronautical</i>	<i>Total</i>
Purchases	411,662	203,301	614,963
Inventory variation	4,905	20,574	25,479
<b>TOTAL</b>	<b>416,567</b>	<b>223,875</b>	<b>640,442</b>

■ **Personnel expenses**

The detail of the "Personnel Expenses" caption in the accompanying 2001 consolidated statement of income is as follows (in thousands of euros):

	<i>Energy</i>	<i>Aeronautical</i>	<i>Other</i>	<i>Total</i>
Wages and salaries	57,524	52,250	2,016	111,790
Employee welfare expenses	15,661	14,502	515	30,678
<b>TOTAL</b>	<b>73,185</b>	<b>66,752</b>	<b>2,531</b>	<b>142,468</b>

The average number of employees in 2001, by category, was as follows:

	<i>Energy</i>	<i>Aeronautical</i>	<i>Other</i>	<i>Total</i>
Managers	49	23	10	82
Supervisors	166	103	-	269
Other employees	2,524	1,870	12	4,406
<b>TOTAL</b>	<b>2,739</b>	<b>1,996</b>	<b>22</b>	<b>4,757</b>

■ **Foreign currency transactions**

The detail of the foreign currency transactions is as follows:

	<i>Foreign Currency (in Thousands)</i>	<i>Thousands of Euros</i>
<b>Purchases</b>		
Argentine peso	55	49
Pound sterling	230	369
U.S. dollar (*)	129,221	124,248
Norwegian krone	1,442	179
Chilean peso	669	1
Brazilian real	4	2
<b>Sales</b>		
U.S. dollar (*)	452,432	433,374
<b>Services received:</b>		
Pound sterling	156	248
U.S. dollar (*)	19,280	18,433
<b>Services provided</b>		
U.S. dollar (*)	1,713	1,648

(\*) Including transactions with hedged exchange rates.

As of December 31, 2001, the dependent companies Gamesa Producciones Aeronáuticas, S.A. and Gamesa Aeronáutica, S.A. had arranged exchange rate hedging transactions amounting to approximately US\$ 481 million with an equivalent euro value of €506 million relating to accounts receivable for projects in progress.

## 21. Provisions for contingencies and expenses and Other accounts payable

### ■ Provisions for contingencies and expenses

The detail of this caption as of December 31, 2001, is as follows (see Note 4-k):

	<i>Thousands of Euros</i>				
	<i>Balance at December 31, 2000</i>	<i>Provision Charged to Income (Note 23)</i>	<i>Amounts Used (Note 23)</i>	<i>Transfer to Short Term (Note 23)</i>	<i>Balance at December 31, 2001</i>
For third-party liability	119	447	(61)	-	505
For warranties	11,873	15,429	(7,035)	-	20,267
For financial expenses (Note 3-b)	24,041	-	(4,009)	(16,378)	3,654
For guarantees provided	-	4,542	-	-	4,542
For the long-term account receivable (Note 8)	4,808	-	-	-	4,808
<b>TOTAL</b>	<b>40,841</b>	<b>20,418</b>	<b>(11,105)</b>	<b>(16,378)</b>	<b>33,776</b>

The provision for warranties covers any repairs to be made by the Group during the warranty period established in each agreement for wind generator sales (€14,304,000), and during the early stages of the ERJ-145/135 program (€5,930,000).

The provision for financial expenses was recorded to cover the reimbursable loan for aeronautical activities received from Sociedad de Capital-Desarrollo de Euskadi, Socade, S.A. to finance an aeronautical component manufacturing project carried out by the dependent companies Gamesa Desarrollos Aeronáuticos, S.A. and Gamesa Producciones Aeronáuticas, S.A. (see Notes 2, 3-b, 4-b, 4-c, 6 and 7). The loan principal was repaid in prior years. Charges to this provision for financial expenses commenced in 2001. The portion maturing at short-term, amounting to approximately €16,378,000 was transferred to the "Current Liabilities – Other Nontrade Payables – Other Accounts Payable" caption in the accompanying consolidated balance sheet. The amount recorded under the "Provisions for Contingencies and Expenses" caption will foreseeably be settled in 2003.

In 2001, due to the economic situation in Argentina and in accordance with the accounting principle of prudence, the Controlling Company's directors recorded a provision of US\$ 4 million (€4,542,000) relating to the full amount of the guarantee provided by the Company to Banco de Galicia y Buenos Aires to secure a bank loan received in prior years by Matriceria Austral, S.A. (formerly Gamesa Interamericana, S.A.), a Promoauto Group company (see Note 18).

### ■ Other accounts payable

The balance of the "Long-Term Debt – Other Accounts Payable" caption in the accompanying consolidated balance sheet as of December 31, 2001, includes mainly the following items:

- Approximately €71,742,000 relating to 25% of the price agreed upon in the purchase of the 40% holding in Gamesa Eólica, S.A. from Vestas Wind System, A/S, falling due on December 31, 2003. The "Current Liabilities – Other Nontrade Payables" caption includes the same amount relating to the other 25% payable on December 31, 2002 (see Notes 3-b and 3-e).
- Approximately €15,997,000 recorded as a result of the Equity Swap contract entered into with BBVA (see Note 8).
- Approximately €45,142,000 relating to financing received mainly from the Ministry of Industry for other aeronautical component manufacturing projects carried out by Gamesa Producciones Aeronáuticas, S.A. This interest-free financing will be repaid through the assignment of 15% of the collection rights on the billings made in the future, as the aeronautical components are delivered, from a given number of aircraft onwards, under the ERJ-145 project. Based on current projections, the financing repayment schedule, which will begin in 2003, is as follows:

	<i>Thousands of Euros</i>
2003	1,462
2004	1,506
2005	1,745
2006 and subsequent years	40,429
<b>TOTAL</b>	<b>45,142</b>

The Ministry of Industry also granted the Gamesa Eólica, S.A. Subgroup a refundable advance of €2,579,000 to finance its R&D projects. This amount is interest-free and repayable over seven years, after a three-year grace period.

At 2001 year-end the Gamesa Group had met all its commitments relating to this financing, mainly those relating to investments and job creation.

## 22. Subsequent events

On November 28, 2001, the Controlling Company and Sociedad de Desarrollo de Navarra, S.A. (SODENA) entered into an agreement for the sale by the latter of its 9% holding in the dependent company Gamesa Eólica, S.A. This agreement established the conditions regulating the transfer of ownership of these shares to the Group. Since this transfer took place subsequent to December 31, 2001, as of that date the equity of minority interests in the net worth of the dependent company Gamesa Eólica, S.A. reflects this 9% holding. The shares were purchased on March 5, 2002, by the dependent company SESA Sistemas Eléctricos, S.A., for a consideration of approximately €64,658,000. The purchase price will be paid in cash, which will be financed with equity and through a bank loan of approximately €24,000,000.

On March 12, 2002, an agreement was entered into between Gamesa and Turbo 2000, an investee holding company of SEPI and SENER, for the formation of a new aeronautical group. This new group will include the aeronautical line of business of Gamesa and Turbo 2000, S.A.'s 53% holding in the capital stock of Industria de Turbopropulsores, S.A. (I.T.P.) Gamesa will have an initial ownership interest of 59% in the capital stock of this new aeronautical group, which subsequently, will be distributed to its shareholders as a dividend in kind, prior to its listing on the stock market, which is planned to take place in a maximum period of one year (March 2003). Accordingly, once this process is complete, the Gamesa Group will discontinue all its activity in the aeronautical industry to focus exclusively on its renewable energies business (*see Note 1*).

<b>APPLICATION OF FUNDS</b>	<i>Thousands of Euros</i>	
	<b>2001</b>	<b>2000</b>
Start-up expenses (Note 4-a)	2,549	11,732
Fixed asset additions-		
Tangible fixed assets (Note 7)	285,490	113,390
Intangible assets (Note 6)	48,612	36,813
Long-term financial investments (Note 8)	16,857	1,493
Treasury stock (Note 13)	29,859	9,551
Goodwill (Note 3-e and 9)	257,013	109,854
Increase in deferred charges	2,407	593
Variation in minority interests (Note 15)	385	9,718
Provision for contingencies and expenses (Notes 4-k and 21)	11,105	2,191
Transfer to short term of provisions for contingencies and expenses (Notes 2-c and 21)	16,378	-
Repayment or transfer to short term of long-term debt (Notes 14 and 21)	31,024	24,706
Write-off of deferred revenues	322	213
Variation in the scope of consolidation (Note 3-e)	42,993	9,509
<b>TOTAL FUNDS APPLIED</b>	<b>744,994</b>	<b>329,763</b>
<b>FUNDS OBTAINED IN EXCESS OF FUNDS APPLIED (INCREASE IN WORKING CAPITAL)</b>	<b>-</b>	<b>12,338</b>
<b>TOTAL</b>	<b>744,994</b>	<b>342,101</b>

<b>SOURCE OF FUNDS</b>	<i>Thousands of Euros</i>	
	<b>2001</b>	<b>2000</b>
Funds from operations	157,416	131,041
Capital increase	-	129,218
Increase in deferred revenues	4,217	1,330
Long-term debt		
Loans and other accounts payable (Notes 14 and 21)	397,128	76,962
Fixed asset disposals-		
Start-up expenses	-	123
Tangible fixed assets (Note 7)	26,540	2,757
Intangible assets (Note 6)	7,579	448
Long-term financial investments	40	-
Variation in translation differences (Note 13)	396	8
Disposal of treasury stock (Note 13)	17,267	-
Early collection of long-term accounts receivable (Note 17)	3,421	214
<b>TOTAL FUNDS OBTAINED</b>	<b>614,004</b>	<b>342,101</b>
<b>FUNDS APPLIED IN EXCESS OF FUNDS OBTAINED (DECREASE IN WORKING CAPITAL)</b>	<b>130,990</b>	<b>-</b>
<b>TOTAL</b>	<b>744,994</b>	<b>342,101</b>

	<i>Thousands of Euros</i>			
	<b>2001</b>		<b>2000</b>	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
<b>WORKING CAPITAL</b>				
Uncalled capital payments payable	33	-	-	-
Inventories	83,175	-	24,732	-
Accounts receivable	29,498	-	82,692	-
Accounts payable	-	269,525	-	82,286
Short-term financial investments	18,225	-	4,800	-
Cash	6,981	-	-	17,493
Accrual accounts	623	-	-	107
<b>TOTAL</b>	<b>138,535</b>	<b>269,525</b>	<b>112,224</b>	<b>99,886</b>
<b>VARIATION IN WORKING CAPITAL</b>	<b>-</b>	<b>130,990</b>	<b>12,338</b>	<b>-</b>

The funds obtained from operations in 2001 were determined is as follows:

	<i>Thousands of Euros</i>	
	<i>2001</i>	<i>2000</i>
Income for the year per accompanying consolidated statement of income	62,062	45,146
<b>Add</b>		
Income attributed to minority interests (Note 15)	18,965	23,674
Deferred charges	462	229
Amortization of start-up expenses (Note 4-a)	1,706	5,073
Period amortization of intangible assets (Note 6)	3,257	27,862
Period depreciation of tangible fixed assets (Note 7)	34,163	35,658
Variation in long-term financial investment and treasury stock provisions (Notes 8 and 13)	2,946	146
Period provision for amortization of intangible assets (Note 6)	9,015	-
Period provisions for contingencies and expenses (Notes 4-k and 21)	20,418	9,760
Amortization of goodwill (Notes 3-e and 4-g)	1,652	1,014
Losses on disposal of tangible fixed assets	1,279	545
Losses on transactions involving treasury stock and own debentures (Notes 4-f and 8)	6,512	-
<b>Less</b>		
Income from companies carried by the equity method (Note 8)	-	(232)
Deferred revenues (Note 4-j)	(1,198)	(15,086)
Tangible fixed asset provisions used (Note 7)	-	(690)
Gain on disposal of tangible fixed assets	(402)	(760)
Gain on disposal of intangible assets	-	(1,298)
Tax asset (Note 13)	(3,421)	-
	<b>157,416</b>	<b>131,041</b>

## 24. Explanation added for translation to English

These consolidated financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Group that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

## COMPANIES COMPOSING THE GAMESA GROUP AS OF DECEMBER 31, 2001

								<i>Thousands of Euros</i>
<i>COMPANY</i>	<i>LINE OF BUSINESS</i>	<i>AUDITOR</i>	<i>LOCATION</i>	<i>% of Direct and Indirect Ownership</i>	<i>Capital Stock</i>	<i>Reserves</i>	<i>Income (Loss) for the year after Taxes</i>	
<b>A) AERONAUTICAL INDUSTRY</b>								
<b>Structures</b>								
Gamesa Aeronáutica, S.A.	Manufacture of aeronautical structures	PriceWaterhouseCoopers	Álava	100%	5,514	6,754	23,456	
Gamesa Desarrollos Aeronáuticos, S.A. (***)	Manufacture of aeronautical structures	PriceWaterhouseCoopers	Álava	100%	4,207	37	-	
Moasa Montajes Aeronáuticos, S.A. (***)	Assembly of aeronautical components	PriceWaterhouseCoopers	Álava	100%	1,202	1,951	476	
Fuselajes Aeronáuticos, S.A. (**)(****)	Manufacture of aeronautical structures	PriceWaterhouseCoopers	Álava	100%	4,511	-	45	
Easa del Sur, S.A. (**)(****)	Assembly of aeronautical components	PriceWaterhouseCoopers	Seville	100%	3,817	-	19	
Gamesa Producciones Aeronáuticas, S.A.	Manufacture of aeronautical structures	PriceWaterhouseCoopers	Álava	100%	29,026	17,852	(5,974)	
<b>Components</b>								
Gamesa Componentes Aeronáuticos, S.A. (*)(**)	Manufacture of aeronautical components	-	Alava	100%	4,084	-	(127)	
Fibertecnic, S.A.	Manufacture of composite materials	Arthur Andersen	Álava	100%	1,557	2,414	503	
Gamesa Industrial Aut., S.A.	Machining of aeronautical components	Arthur Andersen	Álava	100%	6,163	147	1,051	
Aeromac Mecanizados Aeronáuticos, S.A.	Machining of large aeronautical parts	-	Álava	100%	3,306	(19)	278	
Coasa Componentes Aeronáuticos, S.A.	Manufacture of composite materials	-	Galicia	100%	3,968	(4)	(1)	
<b>B) ENERGY INDUSTRY</b>								
Gamesa Energía, S.A. (**)(****)	Development of wind-powered facilities	Arthur Andersen	Álava	100%	35,491	28,297	1,536	
<b>B.1 and wind-powered facilities</b>								
<b>Development of wind-powered facilities</b>								
Gamesa Energía Renovables, S.A.	Development of wind-powered facilities	-	Zamudio	100%	1,503	(70)	133	
Gamesa Energía Italia, S.A. (**)	Development of wind-powered facilities	-	Italy	100%	604	(32)	(20)	
Gamesa Energuiki Hellas, A.E. (**)	Development of wind-powered facilities	-	Greece	100%	235	-	3	
Gamesa Energía Portugal, S.A.	Development of wind-powered facilities	-	Portugal	100%	475	6	-	
Gamesa Energía Austral, S.A. (**)	Development of wind-powered facilities	-	Argentina	100%	456	-	(282)	
Gamesa Energía Francia, S.A. (*)	Development of wind-powered facilities	-	France	100%	60	-	(11)	
Parques Eólicos del Caribe, S.A. (*)	Development of wind-powered facilities	-	Dominican Republic	57%	305	-	-	
<b>Operation of wind-powered facilities</b>								
Sistemas Energéticos La Muela, S.A.	Operation of wind-powered facilities	Arthur Andersen	Zaragoza	50%	3,065	663	1,076	
Sistemas Energéticos Mañón Ortigueira.S.A.	Operation of wind-powered facilities	Arthur Andersen	La Coruña	60%	4,508	675	1,462	
Sistemas Energéticos Moncayo, S.A.	Operation of wind-powered facilities	Arthur Andersen	Soria	75%	1,958	721	674	
Sistemas Energéticos Muras, S.A.	Operation of wind-powered facilities	Arthur Andersen	Lugo	100%	4,628	2,588	3,716	
Sistemas Energéticos Forgoso, S.A.	Operation of wind-powered facilities	Arthur Andersen	La Coruña	100%	2,344	290	1,420	
Sistemas Energéticos Mas Garullo, S.A.	Operation of wind-powered facilities	Arthur Andersen	Zaragoza	51%	1,503	248	842	
Sistemas Energéticos de Tarifa, S.A.	Operation of wind-powered facilities	Arthur Andersen	Cádiz	100%	61	(1)	-	
Sistemas Energéticos Tardienta, S.A. (**)	Operation of wind-powered facilities	Arthur Andersen	Zaragoza	100%	4,478	-	49	
Sistemas Energéticos Cando, S.A.	Operation of wind-powered facilities	Arthur Andersen	La Coruña	100%	6,191	1,327	3,286	
Sistemas Energéticos La Plana, S.A.	Operation of wind-powered facilities	Arthur Andersen	Zaragoza	90%	421	(26)	97	
Sistemas Energéticos Albacastro, S.A.	Operation of wind-powered facilities	Arthur Andersen	Burgos	100%	61	-	-	
Sistemas Energéticos Muros Outes, S.A. (**)	Operation of wind-powered facilities	Arthur Andersen	La Coruña	100%	2,195	438	(1)	
Sistemas Energéticos Viveiro, S.A. (**)	Operation of wind-powered facilities	-	La Coruña	100%	2,524	499	-	
Sistemas Energéticos La Muralla, S.A.	Operation of wind-powered facilities	Arthur Andersen	La Coruña	100%	2,885	(26)	684	
Sistemas Energéticos Candan, S.A. (**)	Operation of wind-powered facilities	Arthur Andersen	La Coruña	100%	9,437	(45)	226	
Sistemas Energéticos La Estrada, S.A.	Operation of wind-powered facilities	-	La Coruña	100%	60	-	-	
Sistemas Energéticos Ferrol Naron, S.A.	Operation of wind-powered facilities	-	La Coruña	100%	60	-	-	
Sistemas Energéticos Lalin, S.A.	Operation of wind-powered facilities	-	La Coruña	100%	60	-	-	
Sistemas Energéticos Serra do Panda, S.A. (**)	Operation of wind-powered facilities	Arthur Andersen	La Coruña	100%	1,683	(3)	67	
Sistemas Energéticos Goia Peñote, S.A.	Operation of wind-powered facilities	-	La Coruña	100%	61	-	-	
Sistemas Energéticos Serra Meira, S.A.	Operation of wind-powered facilities	-	La Coruña	100%	61	-	-	
Sistemas Energéticos Mondoñedo Pastorizo, S.A. (*)	Operation of wind-powered facilities	-	La Coruña	100%	61	-	-	
Sistemas Energéticos Serra da Loba, S.A.	Operation of wind-powered facilities	-	La Coruña	100%	61	-	-	
Sistemas Energéticos Serra do Alvao, S.A.	Operation of wind-powered facilities	-	Portugal	100%	50	-	(1)	
Sistemas Energéticos Serra do Arga, S.A.	Operation of wind-powered facilities	-	Portugal	100%	50	-	(1)	
Sistemas Energéticos Torralba, S.A. (**)	Operation of wind-powered facilities	Arthur Andersen	Zaragoza	60%	3,081	616	1	
Sistemas Energéticos Labradas, S.A. (**)	Operation of wind-powered facilities	Arthur Andersen	Valladolid	100%	2,554	511	(24)	
Sistemas Energéticos Sierra del Trigo, S.A. (*)	Operation of wind-powered facilities	Arthur Andersen	Seville	100%	2,702	-	(3)	

Thousands of Euros

COMPANY	LINE OF BUSINESS	AUDITOR	LOCATION	% of Direct and Indirect Ownership	Capital Stock	Reserves	Income (Loss) for the year after Taxes
Sistemas Energéticos Abadía, S.A. (*)	Operation of wind-powered facilities	-	Zaragoza	100%	61	-	-
Sistemas Energéticos La Jimena, S.A. (*)	Operation of wind-powered facilities	-	Soria	60%	61	-	-
Sistemas Energéticos La Torrecilla, S.A. (*)	Operation of wind-powered facilities	-	Zaragoza	100%	61	-	-
Sistemas Energéticos Opiñen, S.A. (*)	Operation of wind-powered facilities	-	Zaragoza	100%	61	-	-
Sistemas Energéticos Entredicho, S.A. (*)	Operation of wind-powered facilities	-	Zaragoza	100%	61	-	-
Sistemas Energéticos Fuendetodos, S.A. (*)	Operation of wind-powered facilities	-	Zaragoza	100%	61	-	-
Sistemas Energéticos Sierra del Romeral, S.A. (*)	Operation of wind-powered facilities	-	Toledo	100%	61	-	-
Sistemas Energéticos Montes de León, S.A. (*)	Operation of wind-powered facilities	-	Valladolid	100%	61	-	-
Sistemas Energéticos Chandrexa, S.A. (*)	Operation of wind-powered facilities	-	La Coruña	100%	61	-	-
Sistemas Energéticos Alcarama, S.A. (*)	Operation of wind-powered facilities	-	La Coruña	100%	61	-	-
Sistemas Energéticos Tabara, S.A. (*)	Operation of wind-powered facilities	-	La Rioja	100%	61	-	-
Sistemas Energéticos Tierra de Campos, S.A. (*)	Operation of wind-powered facilities	-	Valladolid	100%	61	-	-
Sistemas Energéticos Villarubia, S.A. (*)	Operation of wind-powered facilities	-	Toledo	100%	61	-	-
Sistemas Energéticos Capiruzas, S.A. (*)	Operation of wind-powered facilities	-	Toledo	100%	61	-	-
Sistemas Energéticos Barandón, S.A. (*)	Operation of wind-powered facilities	-	Valladolid	100%	61	-	-
Eoliki Eliniki, A.E. (*)	Operation of wind-powered facilities	-	Greece	86%	59	-	-
Eoliki Peloponissou Lakke Energiaki A.E. (*)	Operation of wind-powered facilities	-	Greece	86%	59	-	-
Eoliki Peloponissou Kounus Energiaki A.E. (*)	Operation of wind-powered facilities	-	Greece	86%	59	-	-
Eoliki Attikis Kounus Energiaki A.E. (*)	Operation of wind-powered facilities	-	Greece	86%	59	-	-

#### B.2 Manufacture of wind generators

Gamesa Eólica, S.A.	Wind-power installations	Arthur Andersen	Navarra	91%	1,923	32,314	32,691
Apoyos Metálicos, S.A.	Manufacture of wind generator pylons	Arthur Andersen	Navarra	91%	841	5,868	1,176
Fiberblade, S.A.	Manufacture of wind generator blades	Arthur Andersen	Navarra	91%	1,683	12,719	3,728
Compovent	Maintenance of wind generator pylons	Arthur Andersen	Navarra	91%	60	1,779	537
Componentes Eólicos Albacete, S.A.	Manufacture of wind generator blades	Arthur Andersen	Albacete	91%	1,803	1,470	1,036
Estructuras Eólicas Miranda	Maintenance of molds and tools	Arthur Andersen	Burgos	91%	1,202	801	2,045
Montajes Eólicos Tauste, S.A.	Wind-power installation work	Arthur Andersen	Aragón	91%	301	119	71
Componentes Eólicos Cuenca, S.A.	Wind-power installation work	Arthur Andersen	Cuenca	91%	2,705	(120)	910
Echesa, S.A. (*)	Manufacture of wind-power components	Attest Consulting	Guipuzcoa	99.88%	739	4,236	722
Transmisiones Eólicas de Galicia, S.A. (*)	Manufacture of wind-power components	Attest Consulting	Galicia	90%	695	661	(129)

#### Manufacturing, civil engineering and services

Servicios Electricidad, Instrumentación y Mantenimiento, S.A.	Electrical installations	PriceWaterhouseCoopers	Tarragona	100%	96	1,251	468
Ingenieros de Seguridad, S.A.	Security installations	PriceWaterhouseCoopers	Madrid	80%	601	(77)	(510)
Siemsa Centro, S.A.	Technical engineering services	PriceWaterhouseCoopers	Madrid	100%	97	881	533
Siemsa Control y Sistemas, S.A.	Marketing of industrial assets	PriceWaterhouseCoopers	Tarragona	80%	60	585	(199)
Siemsa Galicia, S.A.	Electrical installations	PriceWaterhouseCoopers	La Coruña	100%	60	1,805	912
Siemsa Norte, S.A.	Electrical installations	PriceWaterhouseCoopers	Vizcaya	100%	511	2,992	1,209
Siemsa Este, S.A.	Electrical installations	PriceWaterhouseCoopers	Madrid	100%	4,327	412	2,486
Lucainena Solar S.A.	Financial investments	-	Álava	49%	65	-	-
Gamesa Solar, S.A. (*)	Development and operation of solar-powered facilities	-	Álava	100%	61	-	(7)
S.E.S.A. Sistemas Eléctricos, S.A.	Construction and operation of wind-powered facilities	-	Álava	100%	60	-	(2,098)
Gamesa Energía Servicios, S.A. (**)	Manufacture of installations	Price Waterhouse Coopers	Madrid	100%	2,554	881	1,209
Gamesa Servicios Brasil, Ltda. (**)	Electrical installations	-	Brazil	100%	3,592	(1,387)	(521)
Abruzo Vento, S.P.A.	Construction and operation of wind-powered facilities	-	Italy	100%	103	(4)	(5)
European Virtual Engineering, S.A.	Research projects	-	Álava	15%	610	(45)	(87)
Gerr Grupo Energético XXI, S.A.	Development of wind-powered facilities	-	Cataluña	50%	305	-	-

#### C) OTHER

Cametor, S.L.	Ownership of fixed assets	Arthur Andersen	Álava	100%	3,902	(33)	822
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(\*) Companies included in the GAMESA GROUP in 2001.

(\*\*) Companies which increased capital in 2001.

(\*\*\*) Dependent companies of Gamesa Aeronáutica, S.A.

(\*\*\*\*) Gamesa Energía, S.A. is the Controlling Company of all the companies belonging to the energy line of business.

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**Grupo Auxiliar Metalúrgico, S.A.  
and Dependent Companies composing the Gamesa Group**

Consolidated Management Report

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This report analyzes the Gamesa Group's business performance and earnings in 2001, based on Grupo Auxiliar Metalúrgico, S.A.'s individual financial statements and, where appropriate, the Group's consolidated financial statements. This analysis supplements the financial statements which include, in addition to the consolidated financial statements or, where appropriate, the complete individual financial statements, the notes to financial statements, which describe the accounting methods applied and the most significant captions in addition to providing other information.

Following the significant changes carried out in the Group's structure with a view to its listing on the stock exchange, 2001 was noteworthy for the consolidation of its business activities which focused on the development and exploitation of renewable energies and on the design and manufacture of aeronautical structures and structural components.

## **GAMESA**

Gamesa is a corporate group whose mission is to be the main supplier of technological products, installations and services to the aeronautical and renewable energy industries.

### **1. Corporate activities and structure**

Gamesa is structured in two divisions comprising five core business lines operated by the dependent companies. The activities performed in the two divisions are:

<b>Renewable energies</b>	Promotion and exploitation of renewable energies Manufacture of wind generators Services
<b>Aeronautical</b>	Manufacture of aeronautical structures Engineering. Manufacture of aeronautical components

The most significant events in 2001, in chronological order, were as follows:

#### **January**

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- Manufacture and assembly of 16 ERJ-145 aircraft.
- Approval of the ERJ-170 plans.

#### **February**

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- Delivery of 18 ERJ-145 aircraft to Embraer; production exceeded 20 aircraft.
- Signing of a new financing agreement with ICO and la Caixa de Cataluña for 8 wind-powered facilities.
- Inauguration in Albacete of a plant to manufacture wind generator blades.

#### **March**

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- Maximum historical delivery of 22 ERJ-145 aircraft.
- Commencement of the programming of the first two units of CRJ-700.
- In its annual report BTM ranked Gamesa as the second manufacturer of wind generators in the world, with a market share of 13.9%.

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## April

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- Inclusion of Gamesa in IBEX-35.
- Purchase of Echesa, which engages in the design and manufacture of industry and eolic gearboxes, essential components for the development of wind generators.
- In 2001 sales of gearboxes to Group companies did not exceed 10% of Echesa's total sales. However, this percentage is expected to increase to 30% in 2002.
- The Castilla-la Mancha Autonomous Community Government approved Gamesa's II Strategic Wind Energy Plan for the autonomous community.

## May

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- Commencement of the design for the ERJ-145XR, a new version of the regional Brazilian aircraft.
- Commencement of the erection of the first wind-powered facility comprising G52-850 Kw wind generators for EHN.
- Commencement of supplies to Bombardier with the delivery of the first vertical stabilizer for the CRJ 700 aircraft.

## June

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- Gamesa's first Shareholders' Meeting was held following the public share sale offering.
- IBV, a majority shareholder of Gamesa, sold 6% of its shares in order to inject greater liquidity into the company's free float and to improve its weighting in the IBEX-35.
- Delivery to Embraer of wing number 500.
- Congratulations received from Bombardier for the quality of the deliveries made.
- Obtainment of JAR-145 certification by the Civil Aviation Authorities, authorizing Gamesa Aeronáutica as the maintenance center for the ERJ-145.
- Inauguration in China of the Yumen wind-powered facility with wind generators supplied by Gamesa Edíca.
- A contract was entered into with the German company Wind Systems to supply G80-2000 Kw wind generators.

## September

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- Inauguration of COASA, an aeronautical components plants in the Ourense technological park (Galicia).
- Decision to adjust Gamesa Aeronáutica's temporary labor force to the new requirements following the events of September 11.

## October

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- Alfonso Basagoiti replaced José Antonio Garrido as the Chairman of Gamesa's Board of Directors.

## November

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- Agreement with EADS to participate on the A-380 aircraft.
- Launch of a new recurring line of business to supplement those relating to the sale of wind-powered facilities.

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## December

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- Purchase from Vestas Windsystems of 40% of Gamesa Eólica, S.A., therefore putting an end to the geographical restrictions on sales of its wind generators under the Vestas license.
- Signing of a commitment to purchase 9% of Gamesa Eólica, S.A. from Sodena, as a result of which Gamesa now owns all the shareholdings of this company.

### 2. R&D:

The Gamesa Group invested €46.543 thousand in research and development activities which relate mainly to the development of the ERJ-170 and ERJ-145 xr aeronautical programs and the development of the new G-58-850Kw wind generator and the modifications implemented in the G-52-850Kw.

### 3. Acquisition of treasury stock

As indicated in the treasury stock caption, at year-end the Company had 1,367,478 shares of treasury stock, comprising both treasury stock assigned to the stock option incentive plan and treasury stock for ordinary trading on the stock exchange.

Finally, noteworthy is the significant development of the business activities in which GAMESA engages

#### ■ GENERATION OF RENEWABLE ENERGIES:

In 2000, Gamesa Energia installed 250 MW, a figure that doubles its own installed capacity at the beginning of the year.

#### ■ MANUFACTURE OF WIND GENERATORS:

Consolidation of this business activity with sales of 735 MW, up 3% on 2000, with a wider range of products and increasingly broader customer portfolio.

#### ■ AERONAUTICAL STRUCTURES:

Deliveries of ERJ 145-135 increased 13%, from 156 in 2000 to 177 in 2001.

Also, four ERJ-170 prototypes were delivered to Embraer and eleven units of CRJ-700 to Bombardier.

Lastly, noteworthy are the estimates projected for the Gamesa group in 2002, which foresee a 25% growth in billings, 31% in EBITDA and 25% in net results.

### 4. Subsequent events

There were no subsequent events other than those described in the financial statements of Sodena and Agrupación Aeronáutica.

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# Applying the Code of Good Corporate Governance



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## Applying the Code of Good Corporate Governance

In line with the recommendations of the Code of Ethics for Corporate Boards of Directors, known as the Code of Good Corporate Governance, Gamesa also has its own Regulation of the Board, which governs how the board is organised and run as well as the proper conduct of its members.

Likewise, and in accordance with what is laid down in Royal Decree 629/1993 of 3 May 1993, the Board of Directors approved the Internal Rules of Conduct in Securities Markets.

In compliance with its own regulations, Gamesa's Board comprises ten members, in line with the specified number, nine of whom are external or non-executive directors and one of whom is an executive director. Of the external directors, two are independent.

As the Code of Good Governance recommends, the board set up two committees, one dealing with Appointments and Remuneration, and the other with Audits and Compliance, each made up of four external directors.

During 2001, the Board of Directors met on a total of thirteen occasions, thus observing the tenth recommendation of the Code of Good Governance with regard to the frequency of meetings.

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# Governing Bodies

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Structure of the Board of Directors and Management Committee

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# Directors

**CHAIRMAN:** Mr. Alfonso Basagoiti Zavala (\*\*)

**MANAGING DIRECTOR:** Mr. Juan Ignacio López Gandasegui

**MEMBERS:** 

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Mr. Juan Luis Arregui Ciarsolo (\*)

Mr. Julio Azcargorta Peral (\*)

Mr. Carlos Borrego Díaz (\*\*)

Mr. José Madina Loidi (\*)

Mr. Carlos Rodríguez-Quiroga Menéndez (\*\*)

Mr. Pablo Serratosa Lujan (\*\*)  
*(as the representative of NEFINSA, S.A.)*

Mr. Emilio Serratosa Ridaura

Mr. Eloy Unda Madariaga (\*)

**SECRETARY:** Mr. Luis Alberto Martín Zurimendi

(\*) Member of the Audits and Compliance Committee

(\*\*) Member of the Appointments and Remuneration Committee

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# Management Committee

**MANAGING DIRECTOR:** Mr. Juan Ignacio López Gandásegui

**SECRETARY-GENERAL:** Mr. Luis Alberto Martín Zurimendi

**DIRECTOR GENERAL OF DEVELOPMENT:** Mr. Pedro Fuente Arce

**DIRECTOR GENERAL OF GAMESA AERONAUTICA:** Mr. César Fernández de Velasco

**DIRECTOR GENERAL OF GAMESA EOLICA:** Mr. Juan Ramón Jiménez

**DIRECTOR GENERAL OF GAMESA ENERGIA:** Mr. Fernando Ferrando Vitales

**DIRECTOR GENERAL OF GAMESA ENERGIA INTERNACIONAL:** Mr. Jorge Cortina García

**DIRECTOR GENERAL OF GAMESA ENERGIA IBERICA:** Mr. Teodoro Monzón Arribas

**DIRECTOR GENERAL OF GAMESA ENERGIA SERVICIOS:** Mr. Roberto Legaz Poignon

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# Gamesa



**Gamesa**

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