

Gamesa







2005 Year End Estimate

2006 Outlook

Management Report

JANUARY 2006

Meeting Objectives

-  **2005 Year End Estimate.** Explain the company's best estimate for the financial closing of 2005
-  **2005 Highlights and Business Units Performance.** Description of the main elements affecting the company and the deviations from the initial budget.
-  **Market Trends.** Understanding the evolution of the main markets in 2005 and its expected performance for 2006.
-  **2006 Targets.** Enumeration of Gamesa's main targets for incoming year.
-  **Gamesa Aeronáutica spin off.** Status of the process.
-  **Presentation of Chief Executive Officer.** Introducing Mr. Guillermo Ulacia

Executive Summary

9% increase in Current Net Income as of December 2005

- The Current Net Income estimate for 2005 amounts to EUR 190 MM (+9% vs. 2004).
- This represents an 85% fulfillment of the 2005 budget due to the weak conjuncture experienced in 2005 (arrears in installation of wind farms in Spain, raw material costs, start up costs of mass production of 2 MW family and weak performance of orders in the aeronautics business).

2005 New Strategic Focus

- After the strong growth experienced in the domestic market in Wind Business, Gamesa has decided to focus on renewable Energy and opening new markets / regions.

2006 Geographical Expansion

- As a result of the effort of the past years, Gamesa will benefit from the high growth of the foreign markets (mainly USA and China) together with the strong position of the EU Market (mainly Spain). This effort will be translated into a sound industrial base (Spain, USA and China) and a significant backlog (both in Wind Farms and Wind Turbines) that provides visibility for the company in the next years.

Good prospects for Renewable Energy

- The renewable market generally, and the wind market specially, are in a very strong structural situation given the recent regulatory support provided in several countries (Spain, USA, China, ...).

2005. The Year at a Glance (I)

Gamesa Group

- **New Strategic Alignment.** The company has decided to redefine its strategy focusing on:
 - Renewable Energy
 - Geographical Expansion (USA & China)
- **Actions under way.** In order to get ready for this change, Gamesa has initiated actions:
 - Organizational Restructuring
 - Spin off Aeronautics
 - Raise its financing facilities to increase capacity in foreign markets
 - Management's stock option plan

Gamesa Eólica

- New G87/90 2 MW machine using carbon fiber
- Patent Agreement with GE Wind
- Frame Agreements in the US and China
- Staff for US facilities selected and trained
- Raw Materials. Low Availability, High Prices
- Arrears in Authorizations
- Sales Footprint outside of Spain

Gamesa Energía

- Increase in size of project pipeline (mainly the US and Europe) > 20,000 MW
- Increase in project validation > 4,000 MW
- Improved backlog (new wind farm sale agreements)

Gamesa Aeronáutica

- Restructuring Plan (PREGA) on track
- Redundancy Program



2005. The Year at a Glance (II)

Positive Outlook for Renewable Energy

- Renewable Energy, in general, and Wind Energy, in particular, are experiencing a very positive environment due to the growing social and political support.

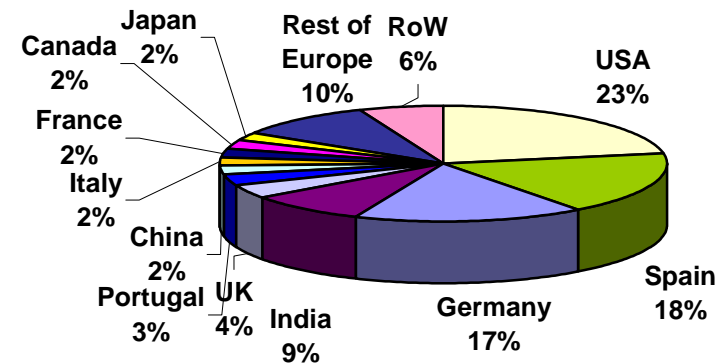
Improvement in Wind Legislation

- As a result, different administrations (Spain, Portugal, the US, and China) have reinforced their political support towards wind.
 - New target of wind installations in Spain (20,000 MW vs previous 13,000 MW by 2010)
 - 1,700 MW Call for Tenders in Portugal
 - PTC extension until end 2007 in the US
 - Target of wind installations in China of 20,000 MW by 2020

Weak conjuncture in 2005

- However, the Spanish market has experienced specific delays in installations in 2005 (1,332 MW connected to the grid in 2005, 43% less than in 2004).

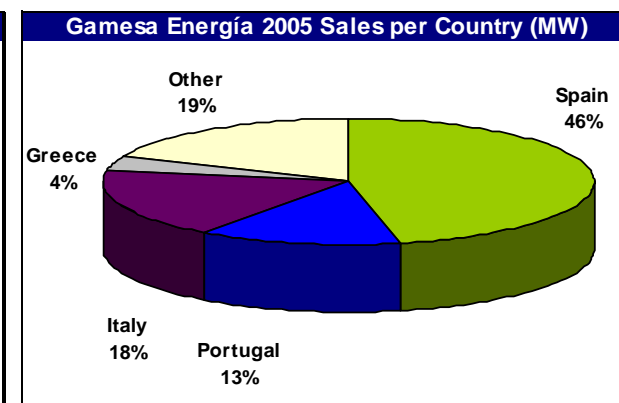
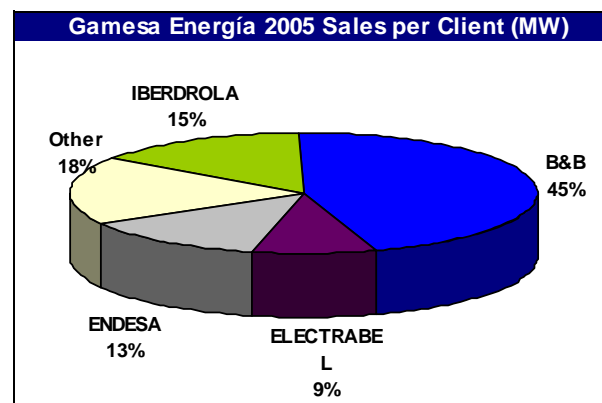
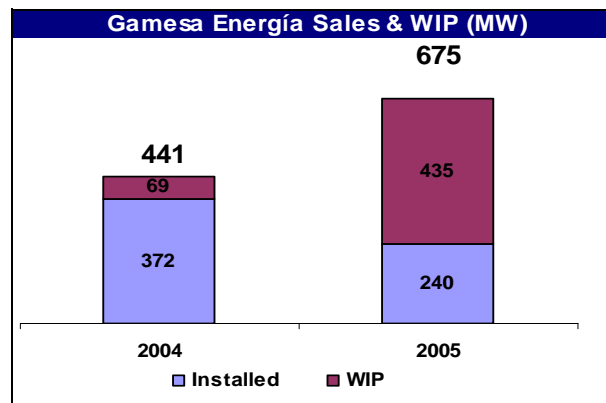
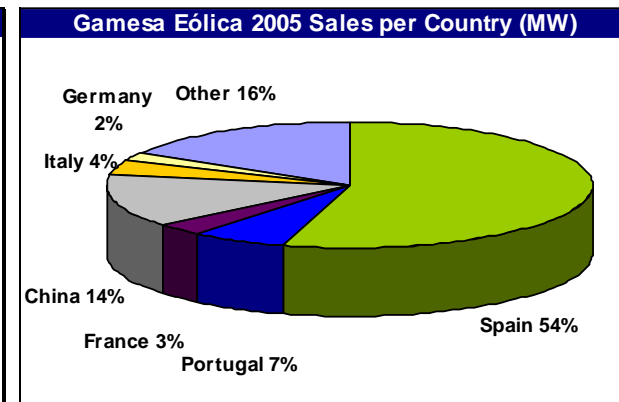
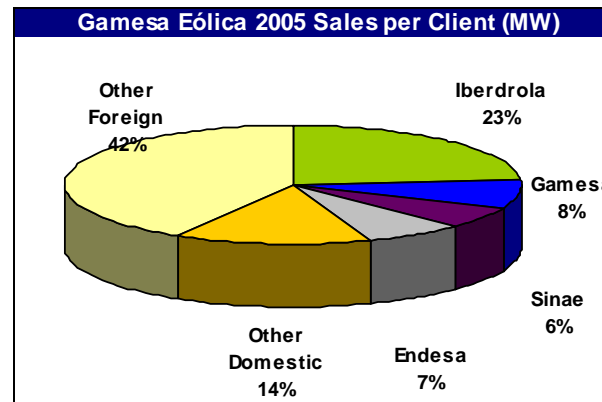
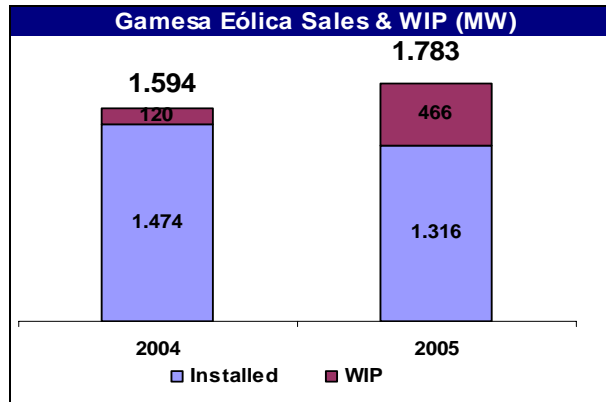
Geographical split per Installed MW 2005 F



Installed MW as of 2005F = 10,295 MW

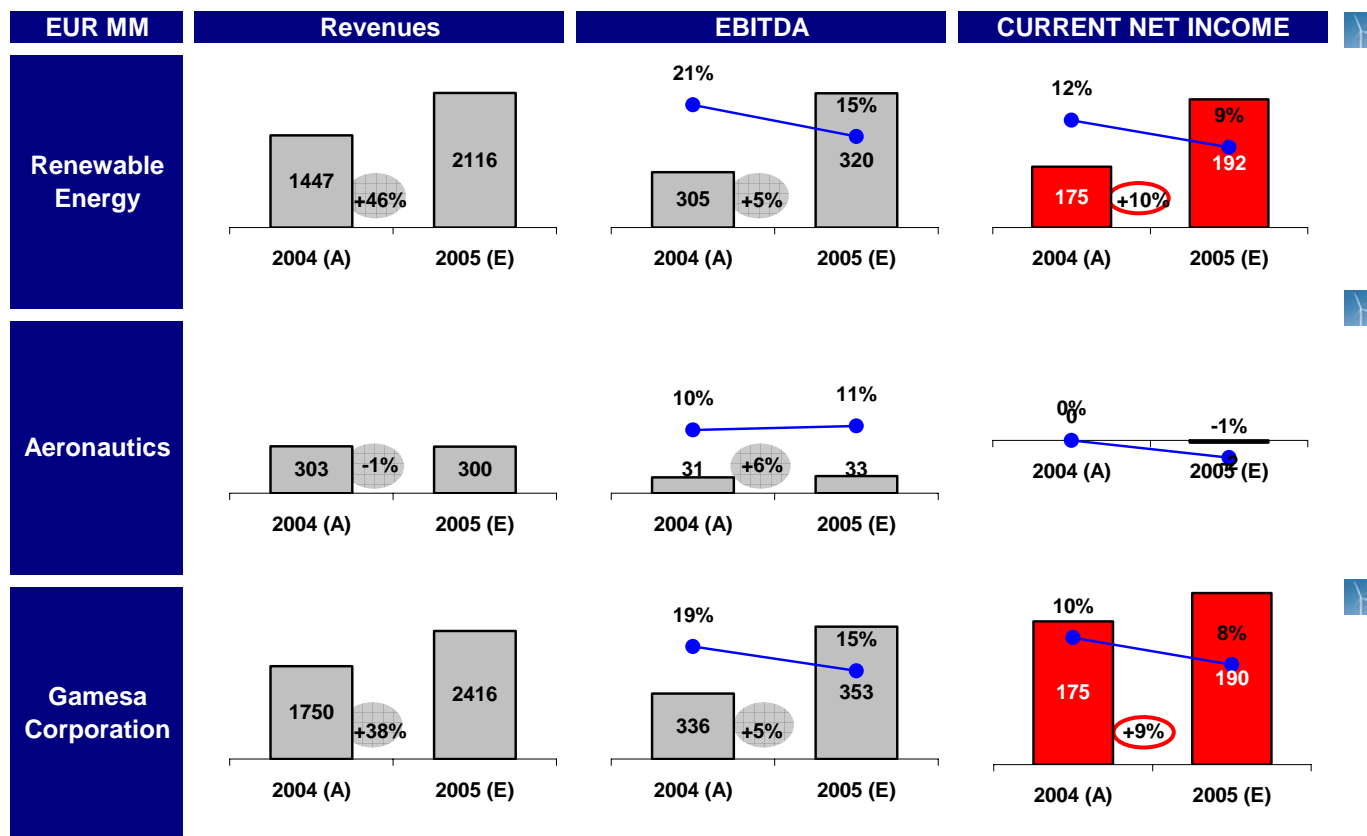


Units, Markets and Clients



Despite of the arrears in Spain, Gamesa's performance abroad has enabled the company to increase its activity both in WTG and Wind Farms

2005 Year End Estimates (Unaudited)



Despite of the difficult environment, the Net Profit associated to Renewable Energy activities has increased by 10%

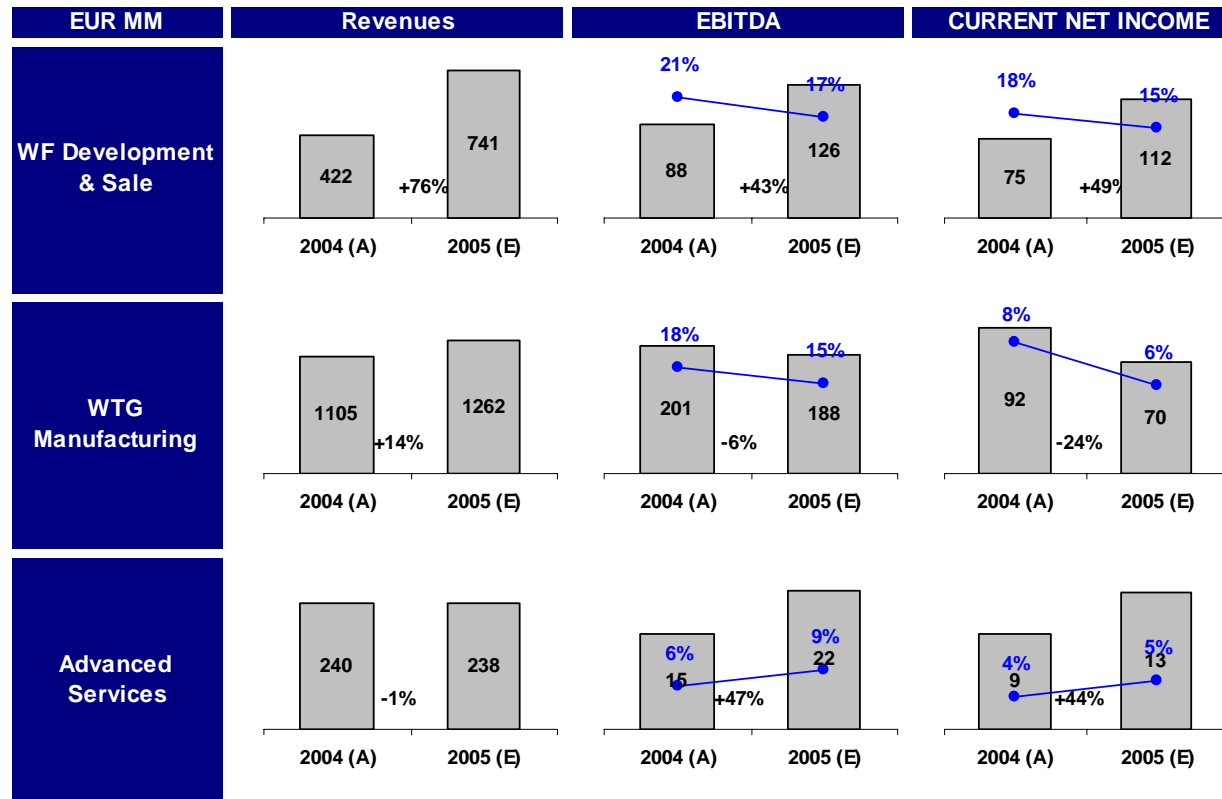
Aeronautics' profitability has fallen due to the low level of activity and the restructuring process.

Overall, the Corporation has achieved some 9% increase in Current Net Income

● Margin on Revenues
 ● Growth Rate

Gamesa expects to close the year with 9% increase in Current Net Income compared to 2004 despite of the difficult conjuncture in wind farm authorizations.

2005 Year End Estimates (Unaudited)



The high demand for wind farms has compensated the low level of installations through an increase in WIP



Gamesa Eólica has faced a strong fall in installations affecting its margins, while raw materials have been expensive during 2005.



Gamesa Servicios has improved its profitability due to the contribution of new activities such as solar or logistics.

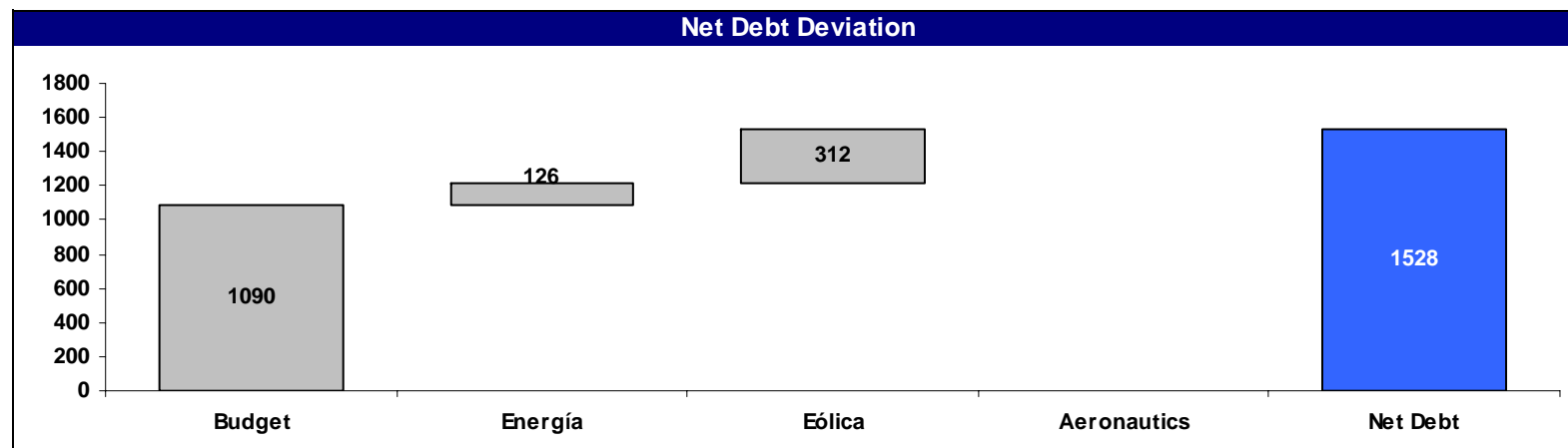
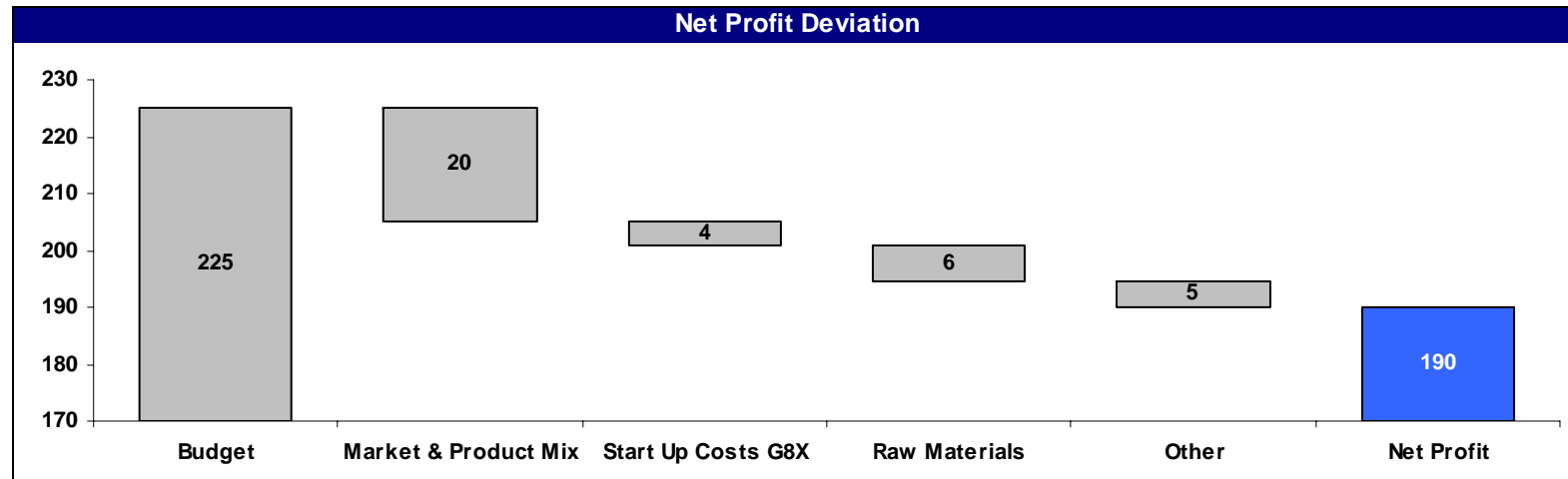
NOTE: Corporate & Adjustments not included

2005 Estimated Cash Flow (Unaudited)

CASH FLOW STATEMENT (EUR MM)	2005 (E)
Current Net Income	190
Dep., Amort. & Prov.	130
Capitalised Expenses	-52
Changes in Working Capital	-364
Funds from Operations	-96
Capex	-144
Financial Investments L/T	
Other Adjustments	
Dividends	-78
Net Cash Flow	-318
Initial Net Bank Debt	1,210
Final Net Bank Debt	1,528

The delays in installation have materialized into a spike in working capital needs in 2005.

Analysis of Deviations



The temporary arrears in authorizations and specific non recurrent effects are the main reasons for the deviations in results and cash flow generation.

Market Perspectives & Target Markets

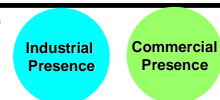
High growth and markets consolidations expectative

- Demand exceeds Manufacturing Capacity in 2006 both for Wind Farms and WTG
- USA, Spain, and Germany are expected to keep its leading position
- Newer markets will continue to consolidate their positions as important contributors to the region's renewable generation base (India and China)

- Target upgrading in Spain.** Delays overcoming and high installation levels expected for the next 5 years
- High growth expectative subject to PTC extension in the US.** Fastest growth expectations in Midwest and Northeast
- Stable growth perspectives in China.** Based on expected economic development
- Growth consolidation in Europe.** Via feed-in tariffs and renewable generation strategy in utilities.

Actions to be taken in different markets		
Gamesa Market Position	Low Market Share	High Market Share
Market Maturity		
Consolidated Markets	<p>Northern Europe</p> <p>COMMERCIAL PRESENCE</p>	<p>Spain</p> <p>IMPROVE EFFICIENCY</p>
High Growth Markets	<p>Japan</p> <p>Southern Europe</p> <p>INDIA</p> <p>USA</p> <p>SELECTIVE INVESTMENT</p>	<p>China</p> <p>INVEST</p>

Note: Ball size represents market weight in Gamesa's business by region




Keeping the leading position in Spain and Southern Europe, Gamesa is getting into the USA, China and India, as main target markets

2006. Main Targets


Growth

-  **Double Digit Growth in Net Profit.** Gamesa targets a 10% increase in Current Net Income in 2006.

Cash Flow

-  **Leverage.** Net Bank Debt to EBITDA < 3.00 x. As a cash flow generation target, Gamesa aims to close 2006 with a lower leverage ratio.

Geographical Expansion


-  **International Industrial Footprint.** In order to fulfill the growth targets, the company will install facilities for assembly or component manufacturing in the USA, China and Portugal.





Focus on Renewable Energy


-  **Spin off Aeronautics.** Finally, as a further step for focusing in Renewable Energy, Gamesa will close the divestment process of its Aeronautic business.




Restructuring Aeronautics Business

Meanwhile the on track divestment process of the Aeronautics business, Gamesa Group is managing the performance improvement in Aeronautics activities

 **The PREGA.** In order to restructure the business, Gamesa Aeronáutica launched a plan (PREGA) to put in place during 2005 and 2006 with the following aims:

-  Improve profitability of existing programs
-  Enter new programs at attractive returns
-  Improve costs (purchases, direct labor and structural costs)
-  Generate Cash Flow (inventory control)

 **Labor Agreement and Redundancies.** One of the main milestones of the plan during 2005 has affected payroll. The main areas of impact are:

-  Cancellation of temporary contracts
-  Reallocation of workers within the subsidiaries in the Aeronautics business
-  Redundancy program affecting one subsidiary that represents 13% of the division's headcount

Confirmed the decision of selling the Aeronautics business, Gamesa Group will have to book in 2005 a non-recurrent write-off provision.

Conclusion

2005 New Strategic Focus

- Gamesa has decided to focus on renewable Energy and expand geographically.

Positive achievements in 2005 in a difficult environment

- Despite of the negative environment, the company has been able to improve its backlog and set the bases for its international expansion in the next years, while increasing its profits by 9%.

2006 Growth perspectives

- Due to the positive expected market evolution, Gamesa targets 10% increase in Current Net Income.
- Gamesa Eólica, following the geographical expansion strategy, will have facilities running in three continents (Europe, America and Asia) to supply the whole market.

Addition of New Financial Lines

- The company has restructured its banking facilities to facilitate the new investments.

Next Management Presentation in March

- The company will provide specific figures on its Strategic Plan before the end of March 2006

Forward Looking Statement

This material has been made up by Gamesa Corporación Tecnológica, S.A., and is disclosed solely as information.

This material may contain declarations which constitute forward-looking statements, and includes references to our current intentions, believes or expectations regarding future events and trends that may affect our financial condition, earnings and share value.

These forward-looking statements do not constitute a warranty as to future performance and imply risks and uncertainties. Therefore, actual results may differ materially from those expressed or implied by the forward-looking statements, due to different factors, risks and uncertainties, such as economical, competitive, regulatory or commercial changes. The potential investor should assume the fact that the value of any investment may rise or go down, and furthermore, it may not be recovered, partially or completely. Likewise, past performance is not indicative of future results.

The facts, opinions, and projections included in this material are furnished as to the date of this document, and are based on the company's estimations and on sources believed to be reliable by Gamesa Corporación Tecnológica, S.A., but the company does not warrant its completeness, timeliness or accuracy, and therefore it should not be relied upon as if it were.

Both the information and the conclusions contained in this document are subject to changes without notice. Gamesa Corporación Tecnológica, S.A. undertakes no obligation to update forward-looking statements to reflect events or circumstances that occur after the date the statements were made. The results and evolution of the company may differ materially from those expressed in this material.

None of the information contained in this document constitutes a recommendation, solicitation or offer to buy or sell any securities, futures, options or other financial instruments or provide any investment advice or service. This material does not provide any recommendation of investment, or legal, tax or any other type of advice, and it should not be relied upon to make any investment or decision.

Any and all the decisions taken by any third party as a result of the information, materials or reports contained in this document, are the sole and exclusive risk and responsibility of that third party, and Gamesa Corporación Tecnológica, S.A. shall not be responsible for any damages derived from the use of this document or its content.

This document has been furnished exclusively as information, and it must not be disclosed, published or distributed, partially or totally, without the prior written consent of Gamesa Corporación Tecnológica, S.A.