



GAMESA GROUP

AUDIT AND COMPLIANCE COMMITTEE

REPORT ON ACTIVITIES

FOR THE YEAR 2006

March 2007

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GAMESA GROUP AUDIT AND COMPLIANCE COMMITTEE

Annual report on the activities of the Gamesa Group Audit and Compliance Committee for the year 2006, presented on March 27, 2007 and approved by the Board of Directors of Gamesa Corporación Tecnológica S.A. on March 28, 2007 in accordance with Article 18 *bis* of the Company's By-Laws, and Article 14 of the Regulations of the Board of Directors of Gamesa Corporación Tecnológica S.A.

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A- INTRODUCTION

The Audit and Compliance Committee of Gamesa Corporación Tecnológica S.A. has prepared this Report on Activities for the year 2006 with a view to its being made available to shareholders at the General Meeting of Shareholders, subject to approval by the Board of Directors, as established by Article 8 of the Committee's Regulations. It comprises a summary of the work carried out by the Committee during the year.

The Audit and Compliance Committee was established voluntarily in the year 2000, as an internal body of the Board of Directors, and without executive functions, in response to the growing demands of shareholders and markets. Whilst constantly adapting to the various codes and standards that have been developed over the years, since 2004 the Committee has had its own Regulations, the text of which was approved by a resolution of the Board of Directors on September 29, 2004.

The purpose of these Regulations is to establish principles for the Committee's activities, as well as basic rules for its organization and operation, at the same time incorporating new rules introduced by the 2002 Financial System Reform Measures Act (Act 44/2002 of November 22).

In this context, and following the practice initiated in previous years, the Committee presents and publishes its Annual Report on Activities for the year 2006, as a voluntary initiative, in line with best practice, and as part of a wider and ongoing effort on the part of Gamesa Corporación Tecnológica S.A. in its commitment to transparency and good governance, thus bolstering the confidence placed in our Organization by domestic and international markets.

In line with actions already taken by Gamesa's Audit and Compliance Committee, the new 'Unified Code of Good Governance', approved in May 2006, confirms the role of Audit Committees in the Corporate Governance of Listed Companies.

As in previous years, members of the Audit and Compliance Committee were active and dedicated, as can be seen from the fact that twelve working sessions were held, each lasting on average between three and four hours.

This year the Committee made a special effort to explore in depth certain aspects, for some of which the process had been started in prior years, such as:

- Oversight of critical business risks
- Monitoring the processes for preparing economic and financial management information
- Establishing generally accepted accounting criteria and principles to improve the recording of revenue and expenditure in appropriate time periods
- Developing aspects of Corporate Governance, such as the audit of the Corporate Website
- Monitoring related party transactions and conflicts of interest

These and other activities carried out during the year are commented upon in the course of this report, which aims to constitute a summary, highlighting certain salient points, of the activities carried out by the Audit and Compliance Committee in the course of the year 2006.

For this coming financial year 2007, the Audit and Compliance Committee's commitment is to maintain activity at around last year's level, thus allowing it, amongst other things, to continue to pay special attention to the risk control system, which is focused on the main risks to the business, to financial information disclosed to the markets, and to related party transactions and conflicts of interest, all from the point of view of maximum transparency toward shareholders and the public at large. We are furthermore committed to developing our sphere of action, standards of operation and composition, and setting up the necessary procedures to enable us to achieve the mission entrusted to us.

Whilst the establishment of an effective internal control system does not of itself ensure the achievement of Gamesa's strategic objectives, a proper internal control structure nevertheless reduces the likelihood of decisions or procedures that are at odds with principles and criteria emanating from the Board of Directors.

B- SALIENT POINTS OF THE COMMITTEE’S ACTIVITIES IN 2006

	NUMBER
<i>Working sessions held</i>	12
<i>Reports/Memoranda to the Board of Directors:</i>	
<i>* Conflicts of interest and transactions with Shareholders</i>	7
<i>*Regular Public Information</i>	4
<i>* Application of accounting principles</i>	2
<i>* Good Governance</i>	3
<i>Reports commissioned from independent experts</i>	2
<i>Appearances of Senior Management before the Committee</i>	6
<i>Appearances of External Auditors before the Committee</i>	2
	PERCENTAGE
<i>Members’ attendance at meetings</i>	98%

Reports and memoranda that the Committee submits to the Board of Directors are the results of the Committee’s findings during its meetings. Whenever it is considered necessary, the Organization’s Senior Management and external auditors can be required to appear before the Committee, as can the Internal Audit department, whose work is functionally dependent on the Committee.

C- COMPOSITION

The composition, nature and positions of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.'s Audit and Compliance Committee on December 31, 2006 are outlined below:

Chairman:	Mr. Jorge Calvet Spinatsch	Non-executive Independent Director
Members:	Mr. Carlos Fernández- Lerga Garralda	Non-executive Nominee Director (representing significant shareholdings)
	Corporación IBV, Servicios y Tecnologías, S.A. (represented by Mr. Rafael del Valle-Iturriaga Miranda)	Non-executive Nominee Director (representing significant shareholdings)
	Mr. José Madina Loidi	Non-executive Independent Director
Secretary (non-member):	Mr. Carlos Rodríguez-Quiroga	Non-executive Independent Director Secretary to the Board of Directors

On April 19, 2006 Corporación IBV, Servicios y Tecnologías, S.A. designated Mr. Rafael del Valle-Iturriaga Miranda as its representative on the Audit and Compliance Committee, replacing the previous representative, Mr. Francisco José Esteve Romero.

In its meeting of October 25, 2006, the Audit and Compliance Committee resolved to appoint Mr. Jorge Calvet Spinatsch, Independent Director, Vice-chairman of the Board of Directors, and member of the Audit and Compliance Committee, as Chairman of the Committee, to replace Mr. José Madina Loidi, whose four year term of office as laid down in the Company's By-Laws, had expired. Mr. José Madina Loidi, continues to serve as a member of the Audit and Compliance Committee.

In line with the change in secretariat of the Board of Directors, as per Board resolution of July 27, 2006, the Committee also unanimously resolved to appoint a replacement for Mr. Martín Zurimendi as Secretary to the Committee, namely Mr. Carlos Rodríguez-Quiroga Menéndez, Independent Director and Secretary to the Board of Directors, who, being present, accepted the appointment.

The Audit and Compliance Committee is an internal body of the Board of Directors, and as such, composed of Directors of the Company, with a minimum of three Directors and a maximum of five, appointed by the Board itself, and a majority of them must be non-executive Directors, in accordance with the Company's By-Laws. At present, as already indicated, the number of members, in accordance

with the Regulations of the Board of Directors and of the Audit and Compliance Committee, is four, all of whom take part fully in the Committee's intense activity.

The profiles of each of the members of the Audit and Compliance Committee, as detailed below, show ample evidence of the knowledge and experience necessary to enable them to fulfill the responsibilities that have been assigned to them.

The Company's By-Laws and the Regulations of the Board of Directors of Gamesa Corporación Tecnológica S.A. are geared to ensuring the Committee's independence in its dealings, and to that end, lay down that it must be composed of outside Directors.

D.- COMMITTEE MEMBERS' PROFILES

Mr. Jorge Calvet Spinatsch

Born in Madrid. Holds the post of Deputy Chairman of the Board of Directors and Chairman of the Auditing and Compliance Committee. He holds degrees in Law and Business Administration (ICADE), having completed his training at New York University, where he was granted a Master in Finance.

His professional career has taken place mainly in the commercial banking sector, and he has held posts at institutions like UBS WARBURG, where he held the position of CEO and Country Head of the UBS Group in Spain. He has also held the posts of CEO of UBS WARBURG, S.V., Chairman and CEO of UBS España, S.A., Member of Ibersuiza's Investment Committee, and Chairman of Inova, S.A. (1995-2001).

Between 2001 and 2005, he was Chairman of Fortis Bank for Spain and Portugal, Executive Chairman of Beta Capital MeesPierson, and Member of the Fortis Management Board.

He has likewise formed part of other Boards of Directors such as those of Prensa Española, S.A. (1998-2002), Antena 3TV (1998-2003), T-Systems España (2001-2004), TESA (Talleres de Editores, S.A.) and France Telecom España, S.A.

D. Rafael del Valle-Iturriaga Miranda

Born in Madrid, he currently represents Corporación IBV, Servicios y Tecnologías, S.A., a member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds a Law degree from the University of Deusto, and a degree in Economics and Business Studies from the Pontifical University of Comillas (ICADE-3).

He has developed his professional career in the Banking sector, where he has held several positions in numerous institutions. More specifically, he worked for the Chase Manhattan Bank, N.A. between 1979 and 1988 and was Vice-President of Chase Manhattan Limited in London and Manager of Corporate and Commercial Banking in Madrid. Between 1989 and 1992, he held the post of Deputy Chairman of Banca Corporativa Spain, belonging to Citibank N.A. He subsequently held the post of Managing Director of Investment Banking (Spain) at UBS. Between 1998 and 2001, he was Credit Agricole Indosuez's General Manager of Corporate Banking (Spain), and between 2001 and 2004, Bank of America N.A.'s General Manager for Spain and Portugal.

He is currently the CEO of Saarema Inversiones, having responsibility for an industrial group with a workforce of seven hundred, with a presence in Spain, Portugal, France, and Argentina. He has additionally been an Independent Director of Grupo Ros Casares, S.A. since 2001.

He has taken part in seminars in London, Paris, and New York, and was a speaker at the Menéndez Pelayo International University (UIMP) in 1986 (The Electricity Sector in Spain) and 1987 (Spain in the International Financial Scene).

Mr. Carlos Fernández- Lerga Garralda

Born in Pamplona, Navarre, he is currently a member of the Board of Directors, and of the Audit and Compliance Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds a Law degree from the University of Navarre, a Master in European Studies from the University of Louvain in Belgium, and did doctorate courses in Law at the Complutense University in Madrid, and specialized in Corporate Law at the Bank of Spain's Training Center.

He rounded off his studies in International Law at The Hague International Academy of Law, in Comparative Law and International Organizations at Strasbourg, and at the Collège Universitaire d'Études Fédéralistes in Nice, Val d'Aosta.

He is a practicing lawyer, and currently holds several positions, including Secretary General of the Sociedad General de Autores y Editores (SGAE), Member of Corporación AGE's Advisory Board, Member of Grupo Valtecnic's Advisory board, Member of the Executive Committee of the Real Instituto Elcano de Estudios Internacionales y Estratégicos, Patron of the Spain-United States Foundation's Governing Board, Patron of the Spain-China Foundation's Governing Board and Patron of the Euroamerica Foundation.

He has held several positions throughout his professional career. He was an advisor to the Minister and to the Secretariat of State for Relations with the European Community (negotiating Spain's accession to the European Community,

May 1978 – 1983), General Manager of Asesoramiento Comunitario, S.A., belonging to Grupo Banco Hispano Americano (1984 – 1985), an Expert sitting on the E.U. committee on SME policy, a researcher-consultant for the Andean Pact (Board of the Cartagena Agreement, Lima, Peru 1976), an advisor to the Centro de Investigación y Técnicas Políticas CITEP (1977–1978), a member of the World Federalist Youth Secretariat (Amsterdam, The Netherlands), Secretary of the European League for Economic Cooperation, a member of Hispania Nostra's Governing Board, Secretary of the Fundación para el Progreso y la Democracia, Treasurer of the Madrid Bar Association, and a member of and Secretary to the Board of Directors of Hispasat Mexico.

He has also taught at the Political Sciences Department of the Complutense University and at the Institute for European Studies of the University of Alcalá de Henares, among others.

He is the author of numerous works, and has published many articles on economics and general information in the press.

He has also given many talks in Spanish and foreign universities and institutions, as well as delivering papers in Congresses.

He has been awarded the Encomienda de la Orden de Mérito Civil (a Spanish civil distinction).

Mr. José Madina Loidi

Born in Bilbao, Vizcaya, he holds the position of Member of the Board of Directors and of the Audit Committee.

He is an industrial engineer.

He started his professional career at BETA, S.A. (1970-1982), where he was a member of the Board of Directors and CEO. He held the same positions in FINECO, S.A. (1983-1987), where he became Chairman of the Board of Directors.

He has held the position of Director in various institutions in the financial sector, such as Banco de Inversión (1988-1993), AXA- AURORA, S.A. (1990-1998), PRIVANZA, S.A. (1993-2000), BBVA SUIZA (1993-2002), BBVA, S.A. (September 2001-March 2002) (where he also worked as an external adviser between 1993 and 2002), HTI TASK, S.L., and was Chairman of Brunara SICAV (2001-2002).

He has held the position of Chairman of the Board of Directors of INTELL INVESTMENT, S.A. since 2004, and is currently the CEO of WELZIA MANAGEMENT SGIIC, S.A.

E.- MEETINGS HELD IN 2006 (ACTIVITIES)

Meetings held in the course of the year 2006 and the principle matters dealt with were as follows:

January 10

- Supervising presentation to the market of estimated results for the year 2005

January 31

- Presentation of the Annual Internal Audit Plan
- Report on Activities of the Committee for the year 2005
- Operational Audit of the Research and Development Area
- Evaluation of a transaction with a significant shareholder and corresponding report to Board
- Risk Map - Evaluation of current situation

February 22

- Supervision of economic and financial information as at December 31, 2005 to be presented by Company Management to the National Stock Exchange Commission, and of the presentation to Analysts and Investors of results for the year 2005
- Presentation by the External Auditor of results of the audit of the financial statements of Gamesa Corporación Tecnológica S. A. and its consolidated group for the year 2005

March 27

- Analysis of consolidated and non-consolidated annual accounts, and of the Board of Directors' report on the conduct of the Company's business and proposed profit appropriations
- Presentation by the CEO: 'Gamesa Risk Map – Current Situation'
- Examination of Annual Report on Corporate Governance for the year 2005
- Analysis of accounting criteria for work in progress on wind farms – accounting standards and procedures

April 18

- Preparation of the Annual Report on the Committee's Activities and examination of the Annual Sustainability Report
- Proposal to the Board of Directors concerning appointment of External Auditors for the year 2006
- Prior revision of Board resolutions relating to Agenda Items for the General Meeting of Shareholders insofar as they affected the Committee

May 8

- Report on economic and financial information relating to the first quarter of the year 2006 to be presented by Company Management to the National Stock Exchange Commission
- Evaluations relating to a transaction with a significant shareholder, for reporting to the Board, and to a conflict of interest.

June 19

- CEO's prior explanation of Gamesa Presentation to the market
- Monitoring of a transaction with a significant shareholder and report to Board

July 26

- Update on Risk Management Action Plan
- Report on economic and financial information relating to the first half of the year 2006 to be presented by Company Management to the National Stock Exchange Commission
- Monitoring of a transaction with a significant shareholder and report to Board
- Report on Activities to date relating to the 'Regulatory Compliance Unit' for the first half of the year

October 2

- Evaluation relating to various transactions with a significant shareholder, for reporting to the Board

October 25

- Report on economic and financial information relating to the third quarter of the year 2006 to be presented by Company Management to the National Stock Exchange Commission, and on presentation to Analysts and Investors
- Presentation by Internal Audit Manager: 'Audit of the Corporate Website'.

November 14

- Evaluations relating to a transaction with a significant shareholder, for reporting to the Board, and to a conflict of interest
- Report on economic and financial information relating to the third quarter of the year 2006 to be presented by Company Management to the National Stock Exchange Commission, and on presentation to Analysts and Investors

December 19

- Evaluation and monitoring of transactions with a significant shareholder, with report to Board, and of other operations
- Presentation by General Manager on Operational Management Control and Accounting Criteria
- Presentation by External Auditor on main findings of preliminary working phase on annual accounts for 2006.
- Report on Activities to date relating to the 'Regulatory Compliance Unit' for the second half of the year

F- FUNCTIONS CARRIED OUT DURING THE YEAR 2006

The Company's By-Laws, as modified by the General Meeting of Shareholders held on May 28, 2004, which introduced Article 18 *bis* (attached as Annex I to this Report on Activities) envisage, without prejudice to such other tasks as the Board may assign, the following basic responsibilities of the Committee:

- Informing the General Shareholders' Meeting about any matters that the shareholders may broach regarding matters within its competence;
- Proposing to the Board of Directors the appointment of the external Auditors, for submission to the General Shareholders' Meeting's consideration.
- Overseeing the Company's and its Group's internal auditing services.
- Dealing with the financial reporting process, sufficiently checking information that the Company regularly and/or statutorily provides to the markets and to their supervisory bodies, and knowing about the Company's internal control systems.
- Maintaining relationships with External Auditors to receive information on any matters that could place their independence at risk and regarding any other matters concerning the performance of the account auditing process, and serving as a channel of communications between the Board of Directors and the auditors.
- Ensuring compliance with legal requirements and the correct application of generally accepted accounting principles, and informing the Board of any significant changes of accounting criteria and of risks inherent in the balance sheet or other documents.
- Providing information about transactions that entail, or could entail, conflicts of interest, or about transactions with shareholders owning a significant stake, and approving such transactions, when it is so charged by the Chairman of the Board of Directors.
- Overseeing compliance with the Internal Code of Conduct Regarding the Securities Market, and with the Board of Directors Regulations. The Audit and Compliance Committee is particularly responsible for receiving information from the Legal Compliance Unit regarding the aforementioned matters.

- Drawing up and bringing an Annual Report on Corporate Governance before the Board for its approval, and providing information on matters within its competence in the Company's Sustainability Report or its Social Responsibility Report for their approval by the Board of Directors.

During the year 2006, the functions and activities carried out by the Committee in its working sessions, held as detailed in the preceding section, and in accordance with its Regulations and basic responsibilities as referred to above and as stipulated in the Company's By-Laws, were essentially along lines of action geared to functions that can be summarized under the following headings:

- ✓ External auditing
- ✓ Company Management
- ✓ Economic and Financial Information
- ✓ General Shareholders Meeting
- ✓ Corporate Governance, conflicts of interest and transactions with significant shareholders
- ✓ Internal auditing

1. Functions relating to External Audit

Amongst the Committee's functions are those relating to external audits, as per Article 5 of its Regulations. The Committee is charged with guiding and supervising the services of the Company's external auditors, proposing the appointment of, and contractual terms for, external auditors to the Board of Directors, for their subsequent submission to the General Meeting of Shareholders, and other aspects such as receiving information on matters that could jeopardize auditors' independence. At the same time the Committee is responsible for maintaining relations with the Company's external auditors, acting as a communications control between them and the Board, evaluating the results of each audit, and reviewing the content of their reports prior to their release.

In accordance with the foregoing, and in fulfillment of these responsibilities, the most significant actions carried out in the course of the year 2006 were as follows:

1.a. The main auditor of the Gamesa Group, Deloitte, S.L., appeared before the Committee at its meeting of February 22, 2006 in order to present key findings and conclusions from the work done on auditing non-consolidated and consolidated accounts for the year 2005.

Deloitte S.L. also appeared before the Committee at its meeting of December 19, 2006 to present key findings of its preliminary work on auditing financial statements for the year 2006.

1.b. Proposed appointment of external auditor for the year 2006

In its meeting of April 18, 2006 the Committee agreed to approve the reappointment of Deloitte, S.L. as main auditor, and of Attest Consulting as secondary auditors for various companies comprising the Gamesa Group, for the accounts of the financial year 2006. This proposal was brought before the Board of Directors for their subsequent submission to the General Meeting of Shareholders.

Approval was based on a positive assessment of the auditors' performance in prior years and on the Committee's being unaware of any situation that might entail a risk to their independence in carrying out their work.

The fees for financial audit services provided to the various GAMESA Group companies and subsidiaries by the principal auditor and by other entities related to the auditor in 2006 amounted to EUR 535 thousand. Also, the fees paid in this connection to other auditors who participated in the audit of various Group companies amounted to EUR 299 thousand.

In addition, the fees paid for other professional services provided to the Group companies by the principal auditor and by other entities related to the auditor amounted to EUR 300 thousand in 2006, whereas those relating to services of this kind provided by other auditors that participated in the audit of the financial statements of the various Group companies amounted to EUR 76 thousand.

2. Functions relating to the Company's Management

The Committee is responsible for supervising the Company's internal control systems and ensuring their adequacy and integrity, focusing on critical business risks. In this context, with a view to gaining direct insight into business problems, in

the course of the year 2006, on the initiative of the Audit and Compliance Committee, and in line with a program started in the previous year, members of top Group Management appeared before the Committee to give their views from the cockpit on situations and specific risks affecting their activities as per the Strategic Plan.

There were six such appearances before the Committee during the year 2006, as described hereunder:

Date	Function	Presentation/Appearance
January 31	General Management, office of the CEO	<i>Risk Map</i>
February 22	General Management, office of the CEO	<i>Financial year-end 2005</i>
March 27	Chairman and CEO	<i>Risk Management Plan 2006</i>
March 27	CFO	<i>Preparation of Financial Statements for 2005</i>
July 26	General Management, Corporate Development	<i>Follow-up on Risk Management Plan 2006</i>
December 19	General Management, Control of Operations	<i>Bookkeeping of specific transaction</i>

These appearances are of a recurrent nature, and as such will continue, in accordance with the 2007 Annual Plan, throughout the current year.

3. Functions relating to Economic and Financial Information

Among the most important of the Committee's duties is the prior review of interim and year-end financial information of a regular and/or obligatory nature, which the Company provides to investors, brokers, and regulatory bodies of the Stock Exchange.

The main purposes of the review are to ensure that financial information is presented in accordance with generally accepted accounting principles, and to highlight any significant changes in accounting policies as regards valuation or presentation standards compared with previous years. As such it provides additional assurance as to the consistency of interim information with that of year-end, and can give advance warning of any risks that might lead to a qualified opinion being given by the external auditors in their report.

Activities carried out in the course of the year 2006 therefore included the following:

- 3.1.** On March 27, 2006 the Internal Audit Manager appeared before the Committee in order to present to it for its analysis a criterion for determining the extent of work in progress on wind farms, such that the value of the work done can be reliably estimated and hence the associated revenues properly recorded.
- 3.2.** The Audit and Compliance Committee holds regular working sessions on Gamesa Group financial information for submission by Financial Management to the National Stock Exchange Commission (NSEC), and on the report on the annual consolidated and non-consolidated accounts. The Committee performs a prior review of information to be submitted to the NSEC.
- 3.3.** Similarly, the Committee performs a prior review of information to be presented to the market (analysts and investors). In this regard, in its sessions of January 10, May 8, June 19, July 26, October 25, and November 14, the Committee reviewed different presentations that were subsequently made to the markets.
- 3.4.** Additionally, during the year 2006 there were several exchanges of views with the external auditors regarding the application of various accounting principles under both national and international standards.

4. Functions relating to the General Meeting of Shareholders

Article 18 *bis* of the By-Laws of Gamesa Corporación Tecnológica S.A. establishes as a prime responsibility of the Audit and Compliance Committee 'to provide information to the General Meeting of Shareholders on questions raised by Shareholders relating to matters within its competence' as formulated in the Financial System Reform Measures Act 44/2002 of November 22. At the General Meeting of Shareholders for 2006, as in the previous year, the Annual Report on the Committee's Activities was made available to shareholders, its purpose being to give an account of actions carried out during the year 2005.

As for the General Meeting of Shareholders, on May 28, 2004 it adopted the 'Regulations of the General Meeting of Shareholders of Gamesa Corporación Tecnológica S.A.', which in Article 20.3 envisages the possible participation of the Chairman of the Audit and Compliance Committee to respond to shareholders' requests for information during the AGM.

Documents relating to the AGM are kept at the disposal of all shareholders and of the general public on the Company's website, in the section 'Legal Information for Shareholders', contents of which has been brought into line with the requirements of the 'Transparency Act' (Law 26/2003 of July 18), Ministerial Order ECO 3722/2003 of December 26, and Circular 1/2004 dated March 17 of the National Stock Exchange Commission.

At the Annual General Meeting of Shareholders for 2007, the third edition of the Annual Report on the Committee's Activities will be made available to shareholders.

5. Functions relating to Corporate Governance, Conflicts of Interest, and Transactions with Significant Shareholders

The Committee is also responsible for monitoring the adequacy, appropriateness, and effective working, of functions relating to the Area of Corporate Governance, Conflicts of Interest, and Transactions with Significant Shareholders.

- Supervision of the Regulatory Compliance Unit

As part of this responsibility, the Committee takes charge of supervising the Regulatory Compliance Unit, a body referred to in Article 16 of the Internal Rules of Conduct for the Stock Exchange of Gamesa Corporación Tecnológica S.A., in accordance with the Financial System Reform Measures Act 44/2002 of November 22, which also sets out the schedule for information to be provided by the Unit to the Committee. These aspects gave rise to various Committee meetings at which

the Head of the Unit appeared, specifically in those of July 26 and December 19 to report on compliance with those areas under his control.

In this regard we make use of an IT solution developed in previous years, geared toward 'Automated Processing of Confidential Operations and Securities Register'.

- Conflicts of interest and transactions with shareholders of significant stakes.

For the purposes defined in Articles 35 and 36 of the Regulations of the Board of Directors and Article 7 of the Regulations of the Audit and Compliance Committee, the Committee evaluated, in its meetings of January 31, May 8, June 19, July 26, October 2, November 14, and December 19, proposals submitted by Management relating to transactions with significant shareholders and conflicts of interest, issuing favorable reports in all cases, and consequently bringing them before the Board of Directors.

- Corporate Governance Annual Report and Corporate Social Responsibility Report

The Committee examined the 2005 Annual Report on Corporate Governance in its meeting of March 27, 2006 and decided unanimously to approve it and submit it to the Board of Directors for their consideration. In its meeting of April 18 the Committee examined the text relating to matters within its competence contained Gamesa's 2005 Corporate Social Responsibility Report, again deciding to approve it and submit it to the Board of Directors.

- Company Website.

The Transparency Act (Law 26/2003), as elaborated by Ministerial Order ECO/3722/2003 and Circular 1/2004 dated March 17 of the National Stock Exchange Commission, stipulate the minimum obligatory information content to be included on websites of listed companies. In the course of 2006, as in the previous year, and pursuant to a mandate from the Committee itself, the Internal Audit Department carried out an audit of the corporate website in order to check compliance with legally required minimum contents.

The results of the audit of the web page 'Legal Information for Shareholders' were presented to the Committee in its meeting of October 25, 2006.

5. Functions relating to Internal Audit

In accordance with the Regulations of the Audit and Compliance Committee, the main duties of the Internal Audit Department, which depends hierarchically on the Board of Directors as represented by its Chairman, and functionally on the Audit and Compliance Committee, are to inform, advise and report directly to the Committee on matters relating to internal control systems, financial information, and such other matters within its competence relating to external audit, Annual Reports on Corporate Governance and on Corporate Social Responsibility, third party transactions that could entail conflict of interests, and operations with significant shareholders, etc.

The Internal Audit Manager attends all sessions of the Audit and Compliance Committee, and also appeared before the Committee several times over the course of the year 2006.

As laid down in the Committee's Regulations, the Internal Audit Manager appeared in the Committee's first meeting of the year, on January 31, 2006 to report on activities carried out in the year 2005, and to submit for approval the Internal Audit 2006 Action Plan.

The Group's focus on integrated risk management leads to a process involving the Board of Directors, Management, and all group personnel, integrated at the same time with the establishment of corporate strategy.

All the activities and actions referred to above, carried out by the Audit and Compliance Committee through its twelve working sessions held in the course of the year 2006, had as their aim to contribute to the basic principles adopted by the Board of Directors, which underpin the duties assigned to the Committee. They are:

- Smooth working of internal control systems for critical risk management

- Reliability of financial information
- Compliance with policies, procedures, laws, rules and regulations
- Good Corporate Governance.

In short, the Committee aims to provide reasonable assurance that the objectives established by the organization will be achieved, to safeguard the value of its assets, and hence the value of shareholders' investments, offering shareholders, other stakeholders, and markets in general, the highest possible level of assurance.

G.- PLANS FOR THE YEAR 2007

The year 2007 presents important challenges for the Committee in the development of its functions and responsibilities, so activity will be maintained at current levels. Lines of action for the coming year will impact mainly on the following areas:

- Development of a regulatory framework for 'Relations between the Audit and Compliance Committee and the External Auditor', in the context of the recently approved Directive 2006/43/CE of the European Parliament and Council of May 17, 2006 and of the 'Unified Code of Good Governance' approved on May 19, 2006 by the Board of the National Stock Exchange Commission, aimed at improving corporate governance.
- Intensified oversight of the critical risk management system, by calling management to appear before the Committee. In this regard, and in the context of the new organizational model put in place during 2006, the

risk management control function is defined and elaborated with a view to proactive encouragement of actions necessary to minimize the probability of situations arising that could endanger achievement of the Company's Business Plan.

- Updating and improvement of all processes aimed at resolving situations of potential conflict of interest and transactions with significant shareholders

The work and effort of the Committee, as reflected in this report, is the best assurance for shareholders of the responsibilities taken on.

ANNEX 1.- ARTICLE 18 *BIS* OF THE COMPANY'S BY-LAWS

Article 18 *bis*.- Board Committees

Apart from delegating powers to an Executive Board, as referred to in Article 18 of these By-Laws, in order better to perform its duties, the Board of Directors may also establish such Board Committees as it sees fit.

The Board of Directors shall in any case establish an Audit and Compliance Committee, which shall be composed of at least three, and not more than five Directors, a majority of whom must be non-executive Directors, to be appointed by the Board itself.

The Audit and Compliance Committee shall choose from among its members a Chairman, who shall be a Non-Executive Director, and who shall be replaced every four years. Former chairmen may be re-elected to the post once one year has elapsed from the moment they have relinquished the post.

The Audit and Compliance Committee shall likewise appoint a Secretary, who may be one of its members, or the Secretary or Deputy Secretary to the Board of Directors. The Committee's Secretary need not necessarily be a Director, in which case he/she shall not be considered as a member of the Committee.

The Audit and Compliance Committee shall meet at least twice a year, and as many times as its Chairman may see fit. It shall likewise meet whenever the Board or its Chairman requests the issuing of a report or the adoption of proposals, and it shall meet whenever it may be appropriate in order to ensure that its functions are properly performed, or when two members of the Committee so request.

The Committee shall have its own specific Regulations, approved by the Board of Directors, which shall elaborate its competences, working standards, and composition, and establish procedures that allow it to achieve its purpose.

Without prejudice to other responsibilities that the Board may assign to it, the Audit and Compliance Committee shall have at least the following basic responsibilities:

a) Informing the General Shareholders' Meeting about any matters that the shareholders may broach regarding matters within its competence;

b) Proposing to the Board of Directors the appointment of the external Auditors referred to in Article 204 of the Revised Text of the Corporations Act (*Texto Refundido de la Ley de Sociedades Anónimas*) for submission to the General Shareholders' Meeting's consideration, as well as their contractual

conditions, the scope of their professional mandate, safeguarding their independence and, if the case arises, their renewal or dismissal;

c) Overseeing the Company's and its Group's internal auditing services approved by the Internal Audit Plan, overseeing both the internal and external material and human resources needed by the Audit department to perform its tasks. Informing about the appointment or dismissal of the Internal Audit Manager;

d) Dealing with the financial reporting process, sufficiently checking information that the Company regularly and/or statutorily provides to the markets and to their supervisory bodies, in order to ensure its accuracy, reliability, sufficiency and clarity, knowing about the Company's internal control systems, as well as verifying their appropriateness and integrity by overseeing the identification, measurement and control of risks;

e) Maintaining relationships with External Auditors, to receive information on any matters that could place their independence at risk, and regarding any other matters concerning the performance of the auditing process, as well as of any other notifications laid down by audit legislation and technical auditing standards, and serving as a channel of communications between the Board of Directors and the auditors, assessing the results of each audit and the management team's response to its recommendations, and mediating in the event of any differences between them regarding the principles and criteria applicable to the drawing up of financial statements;

f) Checking the contents of auditor's reports before they are issued, endeavoring to ensure that such contents and the opinions expressed in them on the annual accounts are drafted clearly and precisely, as well as overseeing the fulfillment of the auditing agreement;

g) Ensuring compliance with legal requirements and the correct application of generally accepted accounting principles, and informing the Board of any significant changes in accounting criteria and of any risks inherent in the balance sheet or other documents;

h) Providing information about transactions that entail, or could entail, conflicts of interest, or about transactions with shareholders owning a significant stake and, in general terms, concerning the matters set forth in Section IX of the Board of Directors Regulations contained herein;

i) Providing information concerning the Board's possible authorization or waiving thereof to Directors in the circumstance set forth in Article 5.4.ii).e) of the Board of Directors Regulations contained herein;

j) Approving transactions entailing a conflict of interest or transactions with a shareholder holding a significant stake under the terms set forth

in Articles 30.6 and 35.4 of the Board of Directors Regulations contained herein and in compliance with them, when it is so charged by the Chairman;

k) Overseeing compliance with the Internal Code of Conduct Regarding the Securities Market, with the Board of Directors Regulations and, in general terms, the Company's rules of governance, as well as putting forward proposals for their improvement. The Audit and Compliance Committee is particularly responsible for receiving information from the Regulatory Compliance Unit regarding the aforementioned matters and, if necessary, issuing reports on disciplinary matters to members of the Company's Senior Management and Executives for non-compliance with Corporate Governance obligations and/or the Internal Code of Conduct Regarding the Securities Market, as well as resolving questions concerning Corporate Governance and its compliance which the Regulatory Compliance Unit may raise pursuant to the Internal Code of Conduct Regarding the Securities Market;

l) Drawing up and bringing an annual report on Corporate Governance before the Board for its approval;

m) Drawing up an annual report on the Audit and Control Committee's activities;

n) Supervising the way in which the Company's website runs concerning making information on Corporate Governance publicly available;

o) Providing information on matters within its competence in the Company's Annual Sustainability Report or its Social Responsibility Report, for their approval by the Board of Directors;

p) Proposing modifications to the Board of Directors Regulations, and informing about matters within its competence regarding any modifications that may be made, for their approval by the Board.

ANNEX 2. – BOARD OF DIRECTORS REGULATIONS

Article 14. The Audit and Compliance Committee

1. The Audit and Compliance Committee shall be made up of four (4) Non-Executive Directors.
2. The Audit and Compliance Committee shall choose from among its members a Chairman, who shall be a Non-Executive Director, and who shall be replaced every four years. Former chairmen may be re-elected to the post once one year has elapsed from the moment they have relinquished the post.
3. The Audit and Compliance Committee shall likewise appoint a Secretary, who may be one of its members, or the Secretary or Deputy Secretary to the Board of Directors. The Committee's Secretary need not necessarily be a Director, in which case he/she shall not be considered a member of the Committee.
4. Concerning the manner in which the Audit and Compliance Committee is run internally, particularly concerning procedures for calling and convening meetings and adopting resolutions, this shall be governed by the provisions laid down for the Board of Directors in the By-Laws and in the Board of Directors Regulations for matters not foreseen in its specific regulations, provided they are compatible with the Committee's nature and functions.
5. Without prejudice to such other responsibilities as the Board may assign to it, the Audit and Compliance Committee shall have at least the following basic responsibilities:
 - a) Informing the General Shareholders' Meeting about any matters that the shareholders may broach regarding matters within its competence;
 - b) Proposing to the Board of Directors the appointment of the external Auditors of Accounts referred to by Article 204 of the Revised Text of the Corporations Act (*Texto Refundido de la Ley de Sociedades Anónimas*) for submission to the General Shareholders' Meeting's consideration, as well as their contractual conditions, the scope of their professional mandate, safeguarding their independence and, should the case arise, their renewal or dismissal;
 - c) Overseeing the Company's and its Group's internal audit services approved by the Internal Audit Plan, overseeing the both the internal and external material and human resources needed by the Audit department to perform its tasks. Informing about the appointment or dismissal of the Internal Audit Manager;

- d) Dealing with the financial reporting process, sufficiently checking information that the Company regularly and/or statutorily provides to the markets and to their supervisory bodies, in order to ensure its accuracy, reliability, sufficiency and clarity, knowing about the Company's internal control systems, as well as verifying their appropriateness and integrity by overseeing the identification, measurement and control of risks;
- e) Maintaining relationships with External Auditors to receive information on any matters that could place their independence at risk, and regarding any other matters concerning the performance of the account auditing process, as well as of any other notifications laid down by audit legislation and technical auditing standards, and serving as a channel of communications between the Board of Directors and the auditors, assessing the results of each audit and the management team's response to its recommendations, and mediating in the event of any differences between them regarding the principles and criteria applicable to the drawing up of financial statements;
- f) Checking the contents of auditor's reports before they are issued, endeavoring to ensure that such contents, and the opinions expressed in them on the annual accounts are drafted clearly and precisely, as well as overseeing the fulfillment of the auditing agreement;
- g) Ensuring compliance with legal requirements and the correct application of generally accepted accounting principles, and informing the Board of any significant changes in accounting criteria and of any risks inherent in the balance sheet or other documents;
- h) Providing information about transactions that entail, or could entail, conflicts of interest, or about transactions with shareholders owning a significant stake and, in general terms, concerning the matters set forth in Section IX contained herein;
- i) Providing information concerning the Board's possible authorization or waiving thereof to Directors in the circumstance set forth in Article 5.4.ii).e) contained herein;
- j) Approving transactions entailing a conflict of interest, or transactions with a shareholder holding a significant stake, under the terms set forth in Articles 30.6 and 35.4 contained herein and in compliance with them, when it is so charged by the Chairman;
- k) Overseeing compliance with the Internal Code of Conduct Regarding the Securities Market, with these Regulations and, in general terms, the Company's rules of governance, as well as putting forward proposals for their improvement. The Audit and Compliance Committee is particularly responsible for receiving information from the Regulatory Compliance Unit regarding the aforementioned matters and, if necessary, issuing reports on disciplinary matters to members of the Company's Senior Management and

Executives for non-compliance with Corporate Governance obligations and/or the Internal Code of Conduct Regarding the Securities Market, as well as resolving questions concerning Corporate Governance and its compliance which the Regulatory Compliance Unit may raise pursuant to the Internal Code of Conduct Regarding the Securities Market;

- l) Drawing up and bringing an annual report on Corporate Governance before the Board for its approval;
 - m) Drawing up an annual report on the Audit and Control Committee's activities;
 - n) Supervising the way in which the Company's website runs concerning making information on Corporate Governance publicly available;
 - o) Providing information on matters within its competence in the Company's Annual Sustainability Report or its Social Responsibility Report, for their approval by the Board of Directors;
 - p) Proposing modifications to the current Board Regulations, and informing about matters within its competence regarding any modifications that may be made, for their approval by the Board.
6. The Audit and Compliance Committee shall meet at least twice a year, and as many times as its Chairman may see fit. It shall likewise meet whenever the Board or its Chairman requests the issuing of a report or the adoption of proposals, and it shall meet whenever it may be appropriate in order to ensure that its functions are properly performed, or when two members of the Committee so request.
7. Any member of the Company's Board or management team required to do so shall be obliged to take part in the Committee's meetings, cooperate with it, and provide it with access to any information they may have. The Committee may also require the External Auditors to attend its meetings.
8. In order to enhance the fulfillment of its functions, the Audit and Compliance Committee may request external professional advice. In such an event, the provisions set forth in these Regulations shall apply.

ANNEX 3. – AUDIT AND COMPLIANCE COMMITTEE REGULATIONS



**Audit and Compliance
Committee Regulations
Gamesa Corporación
Tecnológica, S.A.**

(Text approved by the Audit Committee
in the meeting held on September 2,
2004)

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GAMESA CORPORACIÓN TECNOLÓGICA, S.A. (GAMESA) AUDIT AND COMPLIANCE COMMITTEE REGULATIONS

SECTION I.- LEGAL STATUS AND OBJECTS

Article 1. Legal status and applicable regulations

According to the provisions laid down in Article 18 *bis* of the Corporate By Laws, the Audit and Compliance Committee is an internal body of the Board of Directors, having an informative and consultative role, empowered to provide information, advice, and put forward proposals. The Audit and Compliance Committee shall be governed by the rules contained in these Regulations, as well as by the provisions of the Law, the By-laws and the Board Regulations that may be applicable to it.

Article 2. Purpose of the Regulations

The purpose of these Regulations is to establish working principles for the Audit and Compliance Committee, and basic rules for its organizations and operation.

These Regulations require approval by a resolution of the Board of Directors, and will come into effect on the date of such approval.

Any doubts raised by the application of these Regulations shall be resolved by the Committee itself, in accordance with general criteria for the interpretation of legal requirements, and with the spirit and purpose of the Company's By-Laws and the Regulations of the Board of Directors.

The Audit and Compliance Committee, at the behest of its Chairman, may propose that these Regulations be amended, when circumstances render it appropriate or necessary. However, any such amendment will come into effect only in the event that it has first been approved by a majority of the Committee's members, and also approved by the Board of Directors, based on an explanatory report submitted by the Committee.

SECTION II.- SCOPE AND FUNCTIONS

Article 3. Scope of operations

The main responsibility of the Audit and Compliance Committee lies in assisting and informing the Board of Directors in matters assigned to it for these purposes by the By-Laws, the Board of Directors Regulations, and the Internal Rules of Conduct for the Securities Market.

Without prejudice to such other matters as the Board may assign to it, the Audit and Compliance Committee shall likewise be responsible for ensuring sufficiency, appropriateness and efficiency in the following areas:

- Internal audit
- External audit
- Corporate Governance
- Conflicts of interest, and transactions with significant shareholders

In accordance with the terms and conditions set forth in these Regulations, and with the provisions laid down in applicable laws and other Company Regulations, it shall likewise provide information to the General Shareholders' Meeting and the Board of Directors, and maintain the appropriate relationships, and act as a channel of communications with the Company's management in order to fulfill its functions.

In this regard, the Committee's Secretary shall have, following the Committee Chairman's instructions, the function of channeling the Committee's relationships with the other bodies, and serve as a focal point for all the parties involved.

Article 4. Functions relating to Internal Audit

The Committee shall perform such functions relating to the Company's Internal Audit as may be assigned to it by the By-Laws, the Regulations of the Board of Directors, the Internal Code of Conduct regarding the Stock Exchange, and by applicable legal requirements.

The Audit and Compliance Committee shall inform about the appointment or the dismissal of the Internal Auditing Manager, for the approval by the Board of Directors. The Audit and Compliance Committee shall also direct and oversee the Company's and its Group's internal auditing services, approving the Internal Auditing Annual Plan, as well as the targets of the Internal Auditing Department, overseeing both the internal and external material and human resources needed by the Auditing department to perform its tasks.

The Internal Audit Department shall depend hierarchically on the Board of Directors as represented by its Chairman, and functionally on the Audit and Compliance Committee as a body of the Board of Directors.

The main function of the Internal Audit Department is to inform, advise and report directly to the Audit and Compliance Committee on the following matters:

- The application of generally accepted accounting principles, and any significant changes therein.
- Risks associated with the balance sheet and operational units of the Company and how they are identified, measured and controlled.
- Transactions of the Company with third parties, whether entailing a conflict of interest as per Article 30 of the Regulations of the Board of Directors, or operations with significant shareholders as dealt with in Article 35 of the aforementioned Regulations. Reports on these operations will take account of those previously submitted by Management or business unit to the Committee, and of any reports by outside experts.
- Financial information disclosed on a regular basis by the Audit and Compliance Committee to investors, market players and the Regulatory Authorities of the Securities Market.
- Enhancement and integration of the Company's internal control systems.
- Inform and advise the Audit and Compliance Committee on technical aspects concerning the functions covered by Article 14.5.e) of the Regulations of the Board of Directors.
- Information to be included in the Company's Sustainability or Social Responsibility Reports insofar as they are within the Committee's competence.
- Information within its competence for inclusion in the Annual Corporate Governance Report, which the Committee has to prepare for approval by the Board of Directors.
- Report on Internal Audit Activities, for inclusion in the Committee's own Annual Report on Activities.

Article 5. Functions relating to External Audit

The Committee shall oversee the Company's External Auditing Services and shall propose to the Board of Directors the appointment of the external Auditors of Accounts referred to by Article 204 of the Revised Text of the Corporations Law (*Texto Refundido de la Ley de Sociedades Anónimas*) for submission to the General Shareholders' Meeting's consideration, as well as their contracting conditions, the scope of their professional mandate, safeguarding their independence and, should it be the case, their renewal or dismissal;

The Audit and Compliance Committee shall maintain relationships with External Auditors to receive information on any matters that could place their independence at risk, and regarding any other matters concerning the performance of the account auditing process, as well as of any other notifications laid down by audit legislation or technical auditing standards, and serving as a channel of communications between the Board of Directors and the auditors, assessing the results of each audit and the management team's response to its recommendations, and mediating in the event of any differences between them regarding the principles and criteria applicable to the drawing up of financial statements, without prejudicing the relationship of the Company's financial management with them and the direct reporting that the aforementioned Management should maintain with the Committee regarding the matters referred to herein.

In addition, it shall check the contents of auditor's reports before they are issued, endeavoring to ensure that such contents and the opinions expressed on the annual accounts are drafted clearly and precisely, as well as overseeing the fulfillment of the auditing agreement.

Article 6. Functions relating to the Area of Corporate Governance

6.1. Annual Corporate Governance Report and Website

The Audit and Compliance Committee shall draw up and bring an annual report on Corporate Governance before the Board for its approval, and shall supervise the way in which the Company's website runs concerning making information on Corporate Governance publicly available.

6.2. Corporate Social Responsibility

The Audit and Compliance Committee shall provide information on matters within its competence in the Company's Sustainability Report or its Social Responsibility Report for their approval by the Board of Directors.

6.3. Regulatory Compliance Unit

The Audit and Compliance Committee shall regularly oversee compliance with the Internal Code of Conduct, with these Regulations and, in general terms, the Company's rules of governance, as well as putting forward proposals for their improvement. The Audit and Compliance Committee is

particularly responsible for receiving information from the Legal Compliance Unit, through the Secretary General as its responsible representative, who as set forth in Article 16 of the Internal Code of conduct, has the following functions entrusted:

- (i) To promote awareness within the Company and group companies of the Internal Code of Conduct and other rules of conduct in the securities exchanges.
- (ii) To interpret the Internal Code of Conduct, answering any queries or doubts that arise.
- (iii) To declare as privileged information and/or important information such information as derives from communications with the Regulatory Compliance Unit by virtue of the first paragraph of Article 9 of the Internal Code of Conduct.
- (iv) To determine the persons who, in accordance with Article 1 (iii) of the Internal Code of Conduct, are subject to such Rules, whether it be permanently or for a determined period.
- (v) To determine security measures for Privileged Information as referred to in Article 9 (ii) of the Internal Code of Conduct.
- (vi) To develop the necessary procedures for fully implementing the Internal Code of Conduct.

The Audit and Compliance Committee shall also issue reports on disciplinary matters to members of the Company's Senior Management and Executives for not complying with the Corporate Governance obligations and/or the Internal Code of Conduct Regarding the Securities Market, as well as resolving questions concerning Corporate Governance and its compliance which the Legal Compliance Unit may raise pursuant to the Internal Code of Conduct Regarding the Securities Market.

The proper execution of these tasks shall be supervised by the Secretary of the Committee, coordinating both Internal Audit and those responsible for business or functional areas of the Company and whose input is necessary for the preparation of the documents referred to in this Article.

The Secretary of the Committee is also responsible for keeping the Committee punctually informed of any legislative amendments or recommendations published or promulgated concerning Corporate Governance of Listed Companies, reporting regularly on any actions to be taken, and on the degree of compliance with Company standards.

Article 7. Functions relating to Conflicts of Interest and Transactions with Significant Shareholders

7.1. Conflict of Interest

Pursuant to the Audit and Compliance Committee Regulations, “Conflict of interest” (a “Conflict of Interest”) shall be construed to mean any situation in which any Director or person related to him/her has a personal interest in either direct or indirect conflict with the Company or with any other of the companies belonging to its Group. For the purposes of these Regulations, any person described in Article 30.1 of the Regulations of the Board of Directors shall be considered a related person (hereinafter “Related Person”).

Pursuant to Article 7 of the Audit and Compliance Committee Regulations, the Director or individuals related to/him her “may not directly or indirectly perform professional or commercial transactions with the Company unless (i) these are recurrent transactions or operations during the Company’s normal course of business carried out under normal market conditions; and/or (ii) the Board after receiving a prior favorable report approves the transaction without the interested Director taking part pursuant to the provisions set forth in these Regulations and in the Board of Directors Regulations and under the terms and conditions set forth in them.

Any Director finding himself/herself in a situation of conflict of interest or who notices the possibility thereof shall notify it to the Board of Directors through its Chairman and abstain from assisting and intervening in the deliberations, voting, decision-making and execution of transactions affecting the matters in which he/she finds himself in a situation of conflict of interests. The votes of Directors affected by conflicts of interest and who must abstain, shall be subtracted for the purposes of calculating the majority of votes that may be necessary.

The Board of Directors shall decide upon the transaction’s approval, although it may choose to request the Audit and Compliance Committee to draw up a report on the transaction that may be subject to a possible conflict of interest, which shall propose a specific resolution thereof to the Board.

The Board’s Chairman must include the transaction and the conflict of interest in question on the agenda of the next Board of Directors meeting, so that it may adopt a resolution on them on the basis of the aforementioned reports. The criteria for drawing up and approving such reports are set forth in the following paragraphs. The Board of Directors, without the participation of the Director thus affected, shall decide as soon as possible whether or not to approve the transaction or the alternative that may have been put forward, as well as the specific measures that are to be adopted.

The Board’s Chairman may commission the Audit and Compliance Committee to approve the transaction when there are reasons of urgent necessity and the Committee shall inform the Board forthwith.

The Board of Directors or the Audit and Compliance Committee may gather information from the Chief Executive Officer, who shall issue instructions to Management or the area of the Company involved in the operation to draw up a report that shall at least cover:

- a) A justification for performing the operation due to it fitting in with Company's strategy, being a business opportunity or any other circumstances that may be of relevance, detailing it and its characteristics
- b) Proposing a justified alternative of bringing about the operation, within the following possibilities:
 - 1. A public offering aimed at the group of interested parties;
 - 2. A restricted offer to a limited and selected number of possible interested parties;
 - 3. Direct negotiations with an identified interested party.

For the purposes of the Board's approval of the transaction or the drawing up of the Committee's report, the criteria set forth below shall be taken into consideration, should the Board so decide:

- a) Whether it is a transaction that despite being a recurrent transaction should be subject to this procedure due to its importance, special characteristics and/or economic amount;
- b) Whether it is either a non-recurrent or important transaction that should be subject to control mechanisms.

Should an ordinary recurrent transaction have various phases over time, the initial approval thereof shall be sufficient.

Any actions shall be adopted subject to the following criteria:

Concerning the transaction's characteristics:

If it is aimed at a wide-ranging or restricted group of possible acquirers, the principles of transparency, objectivity and fairness should be observed for the bidders and the transaction's disclosure to them. Likewise, it should be ensured that all of them receive identical information at the same time, are informed about the awarding criteria in full, have the same time to carry out and assess the data room and due diligence processes, and that none of them is discriminated against.

The process becoming discretionary should specially be avoided concerning the supply of additional information, the maximum

confidentiality regarding the bidders' binding and non-binding offer prices and conditions, the requirement of identical compliance with formal requirements and any other aspects that could entail a competitive advantage for one of the bidders.

Should the transaction be negotiated without competition by means of direct negotiations with an identified interested party, the transaction's necessary confidentiality should be kept, as well as that of the documents supporting it.

Concerning price:

Concerning the transaction's pricing conditions and unless the Board should resolve otherwise, the awarding of the transaction should be construed in favor the party making the best offer, considering other aspects along with the price that could have an incidence on maximizing the Company's value, such as the transaction's or the acquiring party's strategic value, the additional or complementary conditions being offered, etc. All such aspects may be assessed to take a resolution on the transaction.

In any event, the following shall be taken into consideration when assessing the price:

- In the case of negotiable securities traded on a secondary organized market: the list price on the date of the transaction.

- In the case of non-negotiable securities:
 - a. The appraisal made by an independent expert should it have been requested. This appraisal shall be included when comparing the hypotheses being used.
 - b. The market reference prices obtained from similar transactions or those that can be objectively gathered from the set of bids submitted should it be a competitive tender.

Should the assets or the transaction's complexity so require it, the Board of Directors or the Audit Committee, should it be delegated with the responsibility, may request the advice of duly qualified third parties to analyze and assess the transaction's aspects requiring such advice whether be they technical, financial, legal, strategic, etc.

The request for contracting external advice shall in any case be made by the Chairman Board of the Board of Directors either directly, should the Board so request, or through the Chairman of the Audit Committee, should this body be charged with issuing a report with the help of an expert.

In any event, the request may be rejected by the Chairman in the latter case should he/she deem that any of the aspects set forth in Article 15 of these Regulations exist.

In any event, situations of conflict of interest in which the Directors or their Related Persons find themselves in shall be subject to disclosure in the Annual Corporate Governance Report.

Information shall have to be provided in the Company's annual report on any transactions performed by the Directors or the People Related to them that have been authorized by the Board pursuant to the provisions set forth in this Article during the financial year to which the annual accounts refer.

7.2. Transactions with Significant Shareholders

Should a transaction be broached with a shareholder owning a significant stake, Article 7.2 of the Audit and Compliance Committee Regulations makes reference to the "procedure governing conflicts of interest in Article 7.1 above and it shall be dealt with the same procedural and decision-making treatment by the Company's bodies as those defined for a conflict of interest. The provisions set forth in Articles 35 and 36 of the Board of Directors Regulations shall likewise apply.

Article 8. Functions relating to the General Meeting of Shareholders

One of the Audit and Compliance Committee's obligations is informing the General Shareholders' Meeting about matters shareholders may raise within its sphere of competence.

Developing the above, the Committee shall draw up an Annual Report on its activities, which it will place at the shareholders' disposal once it is approved by the Board of Directors for the calling of the Ordinary General Shareholders' Meeting.

Article 9. Functions relating to the Board of Directors

Without prejudice to the functions outlined in the foregoing, the Audit and Compliance Committee shall report regularly to the Board of Directors on its Activities, and shall advise and propose such measures as it deems appropriate to take within its scope of activities.

Article 10. Functions relating to the Company's Management

The Committee, through its Chairman, may call for information from and require the cooperation of any executive or employee of the Company and its Group. Hence, any member of the Company's Board or management team required to do so shall be obliged to take part in the Committee's meetings, cooperate with it, and provide it with access to any information they may have. The Committee may also require the External Auditors to attend its meetings.

In any event, the Chairman of the Audit and Compliance Committee shall inform the Chairman of the Board of Directors and the CEO of any requirements to attend, except in the cases of the Internal Auditor, Company Secretary, Secretary to the Board, and CFO, relating to matters concerning the External Audit as referred to in Article 5 of these Regulations.

SECTION III.- COMPOSITION AND WORKINGS

Article 11. Composition, appointment of members, and term of office.

The Audit and Compliance Committee shall be made up of four (4) Non-Executive Directors appointed by the Board of Directors.

The Audit and Compliance Committee shall choose a Chairman from among its members, who shall be an Independent Non-Executive Director, and who shall be replaced every four years. Former chairmen may be re-elected to the post once one year has elapsed from the moment they have relinquished the post.

The Audit and Compliance Committee shall likewise appoint a Secretary, who may be one of its members, or the Secretary or Deputy Secretary to the Board of Directors. The Committee's Secretary need not necessarily be a Director, but in that case he/she shall not be considered as a member of the Committee.

The Secretary's functions shall be the following:

- To keep the Committee's documents, recording matters discussed in its working sessions in the Minutes Book and resolutions adopted, and taking care that the Committee's actions are always strictly legal in both form and substance.
- To certify resolutions adopted by the Committee. Certificates shall be issued and signed by the Secretary to the Committee or, in his absence, by the member who has served the least time on the Committee, with the approval of the Chairman or, in his absence, by the member who has served the longest time on the Committee.
- To channel and coordinate, following instructions from the Chairman of the Committee, the Committee's relations with other Bodies,

Managements, or third parties, as referred to in Article 3 of these Regulations.

- All other functions assigned in these Regulations, as well as those laid down in Company By-Laws, Regulations of the Board of Directors, and Internal Rules of Conduct of the Stock Exchange.

Article 12. Meetings

Pursuant to the Board of Directors Regulations, the Audit and Compliance Committee shall meet at least four times a year in order to review economic financial and management information before it is sent to third parties, and as many times as its Chairman may see fit. It shall likewise have to meet whenever the Board or its Chairman requests the issuing of a report or the adoption of proposals, and it shall meet whenever it may be suitable to ensure its functions are properly performed, or when two members of the Committee so request.

Article 13. Convening, quorum, attendance, and resolutions

The announcement of the Audit and Compliance Committee meetings, and the issuing of the necessary documents as well as any exchange of documents among the members of the Boards of Directors shall be done by letter, fax or telegram. The meetings can be called likewise by any electronic, telematic or information technology communications means, or any other kind of means whatsoever that allows for the sending and reception of documents.

Meetings shall be called at least three (3) days in advance. Exceptionally however, if in the Chairman's opinion extraordinary circumstances prevail, a meeting may be called by telephone or any of the other methods referred to in the preceding paragraph, and without regard to the minimum advance notice period or other conditions therein referred to.

The Committee shall meet at the Company's Head Office or at such other place as may be indicated in the invitation.

The Committee shall be validly convened when half plus one of its members are either present or duly represented. It shall also be validly convened when all of its members, either present or represented, unanimously accept the need to hold a meeting. Once the Committee is duly convened, any subsequent absences shall not affect the validity of the meeting.

The Committee may also hold meetings by video-conference or telephone conference call, and in such cases the Committee meeting shall be considered to have been held in the place mentioned as the main place in the invitation to

the meeting, and, in the absence of any such indication, in the place where the greatest number of committee members are together.

Any member may specifically grant written authorization to another member for each meeting by notifying the Chairman or Secretary of the Board thereof through any of the means described in paragraph 1 of this Article.

The Chairman shall preside over the debate, calling upon speakers and bringing proceedings to a halt when he considers the matter to have been sufficiently debated. Voting shall be by a show of hands.

Resolutions shall be adopted by an absolute majority of the Members attending the meeting, this to be construed without prejudice to any majorities that may be required by the Law or the Corporate Bylaws.

The Committee's deliberations and resolutions shall be recorded in a book of minutes, which shall be signed by the Secretary and countersigned by the Chairman, or whoever may represent them.

SECTION IV.- SCOPE OF ACTIVITIES OF THE COMMITTEE

Article 14. Scope of the Committee's Activities.

The Committee's activities shall extend to:

- A) GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
- B) Companies that are majority owned by GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
- C) Other companies in which GAMESA CORPORACIÓN TECNOLÓGICA, S.A., holds shares and has effective control or management responsibility.

SECTION V.- POWERS, OUTSIDE ADVICE, DUTIES, INTERPRETATION

Article 15. Powers and external advice

1. In order to be aided in the performance of its duties, the Committee may request the contracting of legal, accounting and financial experts, as well as other experts, at the Company's cost.

The commission must necessarily have to do with specific problems of a certain importance and complexity that arise during performance of the Committee's duties.

2. The request for contracting such experts must be made by the Company's Chairman and can be vetoed by him/her should he/she find that:
 - a) it is not necessary in order properly to perform the functions Non-Executive Directors are entrusted with;
 - b) its cost is unreasonable in relation to the problem's importance and the Company's assets and revenues;
 - c) the professional advice requested can be properly given by in-house experts and technicians; or
 - d) it may entail a risk to the confidentiality of the information that has to be handled.

Article 16. Compliance and dissemination

Directors who are members of the Committee, and GAMESA management, are obliged to ensure compliance with these Regulations and to take appropriate measures so that the Regulations are widely disseminated throughout the rest of the GAMESA Organization.