Independent Audit Report

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

Financial Statements and Management Report
for the year ended
December 31, 2016

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 23)

INDEPENDET AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.:

Report on the financial statements

We have audited the accompanying financial statements of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., which comprise statement of financial position at December 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

Director´s responsibility for the financial statements

The directors of the parent company are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity and financial position and the results of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., in accordance with the regulatory framework for financial information applicable to the Entity in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor´s responsibility

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor´s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements by the directors of the parent company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity´s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. at December 31, 2016, and its results and cash flow for the year then ended, in accordance with the regulatory framework for financial information applicable in Spain, and specifically the accounting principles and criteria contained therein.

Report on other legal and regulatory requirements

The accompanying 2016 management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2016 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

The original signed in Spanish

February 23, 2017

Gamesa Corporación Tecnológica, S.A.

Financial Statements for the year ended 31 December 2016

Management Report

Translation of a report and financial statements originally issued in Spanish except for the Note 23. In the event of discrepancy, the Spanish-language version prevails.

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Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

BALANCE SHEET AT DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

ASSETS	Notes	12.31.2016	12.31.2015 (*)
NON-CURRENT ASSETS		**412,522**	**385,335**
Intangible assets	**Note 6**	**174**	**228**
Computer software		174	228
Property, plant and equipment	**Note 7**	**619**	**534**
Other fixtures, tools and furniture		525	406
Other items of property, plant and equipment		94	128
Non-current investments in Group companies and associates	**Note 9**	**409,593**	**374,317**
Investments in Group companies and associates		409,593	374,317
Non-current financial assets	**Note 9**	**1,077**	**444**
Equity instruments		600	-
Guarantees and deposits given		477	444
Deferred tax assets	**Note 16**	**1,059**	**9,812**
CURRENT ASSETS		**575,648**	**574,959**
Trade and other receivables		**38,167**	**47,395**
Trade receivables for sales and services		27	35
Receivables from Group companies and associates	Note 19	30,838	42,794
Accounts receivable		97	97
Other accounts receivable from public authorities	Note 16	7,205	4,469
Current investments in Group companies and associates	**Note 19**	**531,506**	**523,045**
Short-term loans to Group companies		531,506	523,045
Current financial assets	**Note 10**	**1,025**	**1,765**
Short-term loans to third parties		1,025	1,765
Short-terms accruals		**330**	**297**
Cash and cash equivalents	**Note 11**	**4,620**	**2,457**
Cash		4,620	2,457
TOTAL ASSETS		**988,170**	**960,294**

EQUITY AND LIABILITIES	Notes	12.31.2016	12.31.2015 (*)
EQUITY	**Note 12**	**938,723**	**900,424**
SHAREHOLDER'S EQUITY		**938,723**	**900,424**
Share capital		**47,476**	**47,476**
Share premium		**386,413**	**386,413**
Reserves		**464,626**	**435,896**
Legal and bylaw reserves		9,495	9,495
Other reserves		455,131	426,401
Treasury shares		**(46,897)**	**(46,244)**
Profit for the year		**87,105**	**76,883**
NON-CURRENT LIABILITIES		**-**	**4,180**
Non-current payables		**-**	**4,180**
Other financial liabilities	Note 15	-	4,180
CURRENT LIABILITIES		**49,447**	**55,690**
Short-term provisions	**Note 13**	**170**	**1,381**
Other provisions		170	1,381
Current payables		**4,182**	**4,414**
Bank borrowings	Note 14	-	234
Other financial liabilities	Note 15	4,182	4,180
Current payables to Group companies and associates	**Note 19**	**24,134**	**34,249**
Trade and other payables		**20,961**	**15,646**
Sundry accounts payable		7,778	4,925
Remuneration payable		11,042	8,165
Other accounts payable to public authorities	Note 16	2,141	2,556
TOTAL EQUITY AND LIABILITIES		**988,170**	**960,294**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the balance sheet at December 31, 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

	Notes	Year 2016	Year 2015 (*)
CONTINUING OPERATIONS:			
Revenue	**Note 18.1**	**93,485**	**31,418**
Dividends received for investments in equity instruments of Group companies and associates		85,000	3,006
Income from loans granted to Group companies and associates		8,485	28,412
Other operating income		**33,433**	**35,604**
Non-core and other current operating income	Note 18.2	33,431	35,508
Income-related grants transferred to profit or loss		2	96
Personnel expenses	**Note 18.4**	**(34,569)**	**(34,672)**
Wages, salaries and similar expenses		(27,836)	(28,949)
Employee benefit costs		(6,733)	(5,723)
Other operating expenses	**Note 18.3**	**(24,696)**	**(19,685)**
Outside services		(24,605)	(19,606)
Taxes other than income tax		(91)	(79)
Depreciation and amortization	**Notes 6 and 7**	**(289)**	**(332)**
Excess of provisions		**685**	**-**
Impairment and profit/(loss) on disposals of financial instruments	**Note 9**	**35,068**	**103,388**
Impairment and profit/(loss) in Group companies and associates investments		35,068	103,388
OPERATING PROFIT/(LOSS)		**103,117**	**115,721**
Financial expense		**(45)**	**(1,003)**
On debts to Group companies and associates	Note 19	-	34
On debts to third parties	Note 14	(45)	(1,037)
Exchange differences		**49**	**(17)**
FINANCIAL PROFIT/(LOSS)		**4**	**(1,020)**
PROFIT/(LOSS) BEFORE TAX		**103,121**	**114,701**
Income tax	Note 16	(16,016)	(37,818)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**87,105**	**76,883**
PROFIT/(LOSS) FOR THE YEAR		**87,105**	**76,883**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the income statement at December 31, 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR 2016 AND 2015 (*)

	Year 2016	Year 2015 (*)
Profit for the year	87,105	76,883
Income and expenses recognised directly in equity	-	-
Transfers to income statements	-	-
TOTAL INCOME AND EXPENSES RECOGNISED	**87,105**	**76,883**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of changes in equity at December, 31 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR 2016 AND 2015 (*)

	Share capital	Share premium	Legal reserve	Other reserves: Reserve for redenomination of capital in euros	Other reserves: Voluntary reserves	Other reserves: Losses from previous year	Other reserves: Reserves for treasury shares	Treasury shares	Profit for the year	Total
BEGINNING BALANCE AT DECEMBER 31, 2015 (*)	**47,476**	**386,413**	**8,633**	**1**	**364,084**	**(11,462)**	**24,873**	**(24,873)**	**49,659**	**844,804**
Total income and expense recognised	-	-	-	-	-	-	-	-	76,883	76,883
Other changes in equity:										
- Distribution of 2014 profit:										-
Other reserves	-	-	862	-	26,015	-	-	-	(26,877)	
Dividend payment	-	-	-	-	-	-	-	-	(22,782)	(22,782)
- Treasury share transactions (Note 12.3)	-	-	-	-	(120)	-	21,371	(21,371)	-	(120)
- Incentive plan (Note 12.4)	-	-	-	-	1,639	-	-	-	-	1,639
ENDING BALANCE AT DECEMBER 31, 2015	**47,476**	**386,413**	**9,495**	**1**	**391,618**	**(11,462)**	**46,244**	**(46,244)**	**76,883**	**900,424**
Total income and expense recognised	-	-	-	-		-			87,105	87,105
Other changes in equity:										
- Distribution of 2015 profit:										
Other reserves	-	-	-	-	34,692	-			(34,692)	-
Dividend payment	-	-	-	-	-	-			(42,191)	(42,191)
- Treasury share transactions (Note 12.3)	-	-	-	-	616	-	11,783	(11,783)		616
- Incentive plan (Note 12.4)	-	-	-	-	(7,231)	-	(11,130)	11,130		(7,231)
ENDING BALANCE AT DECEMBER 31, 2016	**47,476**	**386,413**	**9,495**	**1**	**419,695**	**(11,462)**	**46,897**	**(46,897)**	**87,105**	**938,723**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of changes in equity at December 31, 2016.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

	Notes	Year 2016	Year 2015 (*)
CASH FLOW FROM OPERATING ACTIVITIES (I)		**52,411**	**(8,566)**
Profit for the year before tax		103,121	114,701
Adjustments for:			
- Depreciation and amortization	**Notes 6 and 7**	289	332
- Impairment losses		(35,753)	(103,388)
- Changes in provisions (incentive plan)	**Note 12.4**	(56)	1,051
- Financial expenses		45	1,003
- Exchange differences		(49)	17
- Trade and other receivables		9,711	(4,465)
- Other payables		(24,585)	(16,759)
- Prepaid expenses		(33)	(36)
Other cash flows from operating activities			
- Interests paid		(279)	(1,022)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**(8,673)**	**48,370**
OPERATING PROFIT/(LOSS)			
Payments due to investments			
- Group companies and associates		(8,320)	-
- Other financial assets		(33)	(600)
- Investments in intangible assets and property, plant and equipment	**Notes 6 and 7**	(320)	(317)
Charges for divestments			
- Group companies and associates		-	43,404
- Other investments in non-current financial assets		-	5,883
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**(41,575)**	**(54,522)**
Receipts and payments for equity instruments			
- Purchase of treasury shares	**Note 12.3**	616	(120)
Receipts and payments for financial liability instruments			
- Issue/(amortization) of borrowings from Group companies and associates	**Notes 14 and 15**	-	(31,620)
Dividend payments and remunerations of other equity instruments			
- Dividends		(42,191)	(22,782)
IMPACT OF CHANGES IN EXCHANGE RATE (IV)		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**2,163**	**(14,718)**
Cash and cash equivalents at beginning of the year		**2,457**	**17,175**
Cash and cash equivalents at year end		**4,620**	**2,457**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of cash flows at December 31, 2016.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 23). In the event of a discrepancy, the Spanish-language version prevails.

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

Notes to the Annual Accounts for the year ended December 31, 2016

1. ACTIVITIES AND CORPORATE PURPOSE

The Company Gamesa Corporación Tecnológica, S.A. (hereinafter "the Company" or "GAMESA") was incorporated as a public limited liability company on January 28, 1976. Its registered office is located in Zamudio (Vizcaya, Spain), Parque Tecnológico de Bizkaia, Edificio 222.

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

a) Subscription and acquisition of shares, or securities that are convertible into shares, or which grant rights for their preferential acquisition, in companies whose shares may be listed or not on Spanish or foreign stock markets.

b) Subscription and acquisition of fixed-income securities or any other securities issued by the companies in which it holds an interest, as well as the granting of participating loans or guarantees.

c) Direct provision to investees of counselling, technical assistance and other similar services related to the management of investees, to their financial structure or to their production or marketing processes.

The above activities will focus on the promotion, design, development, manufacture and supply of products, facilities and technologically advanced services in the renewable energy sector.

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

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

In addition to the operations carried on directly, GAMESA is the head of a group of subsidiaries that engage in various business activities and which compose, together with the Company, the GAMESA Group ("the Group" or "the GAMESA Group"). Therefore, in addition to its own separate financial statements, the Company is obliged to present Group Consolidated Financial Statements for the Group including its interests in joint ventures and investments in associates. The companies that form part of the Group are listed in the Appendix.

The GAMESA Group currently operates as a manufacturing group and principal supplier of cutting-edge products, facilities and services in the renewable energy industry, as well as maintenance services rendered, structured into the following business units:

- Wind Turbines (*)
- Operation and Maintenance

(*) Wind turbine manufacturing includes the development, construction and sale of farms.

Environmental Information

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

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Financial reporting legislation applicable to the Company

These Financial Statements have been prepared by the Directors in accordance with the Spanish General Accounting Plan of November 16 approved by Royal Decree 1514/2007 which has been modified on by Royal Decree 602/2016 of December 2, as well as the Commercial Code and other mercantile legislation.

The Financial Statements have been formulated by the Company's Directors for its submission to the approval of the General Shareholders' Meeting, it is considered that they will be approved without any modification.

The figures contained in the balance sheet and the explanatory notes are expressed in thousands of euros (the Company's functional currency).

2.2 True and fair view

The accompanying Annual Accounts have been prepared on the basis of the Company's accounting records and are presented in compliance with applicable financial reporting legislation, particularly the accounting standards and policies established therein, so as to provide a true and fair view of the Company's net worth, its financial situation, the results of its operations and cash flows for the year. These Annual Accounts, which have been prepared by the Directors of the Company, will be submitted for the approval of the General Meeting and it is expected that they will be approved without any modification being made. The Financial Statements for 2015 were approved by the Company's shareholders at a General Meeting held on June 22, 2016.

2.3 Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. In addition, the Directors have prepared these Annual Accounts bearing in mind all applicable accounting principles and standards that are mandatory and have a significant effect on these Annual Accounts.

All accounting principles having a significant effect on the accounts have been applied.

2.4 Critical aspects of the valuation and estimation of uncertainty

When preparing the accompanying Financial Statements estimates made by Company's Directors have been used in order to measure some assets, liabilities, income, expenses and commitments recorded in the accounts. These estimates relate basically to the following:

- Calculation of provisions: At the end of each reporting period Company's Director estimates the liabilities arising from litigation and similar events which require the recognition of provisions of a tax and legal nature. Although the Company considers that the cash outflows will take place in the coming years, it cannot predict the settlement date of these liabilities and, therefore, it does not make an estimate of the specific dates of the cash outflows, considering the effect of a potential discount to present value to be not significant (Note 13).

- The evaluation of possible impairment losses affecting certain assets such as receivables and interests in group companies and associates (Notes 9 and 19).

- Useful life of property, plant and equipment and intangible assets. Company management estimates the useful life and relevant depreciation and amortization charges for its property, plant and equipment and intangible assets, respectively (Notes 6 and 7).

- GAMESA has taken on a series of assumptions to calculate liabilities commitments with the staff (Note 12.4). The fair value of those financial instruments granted as payments based on actions that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a series of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. Changes in these assumptions would be in a significant impact on these Financial Statements.

- Corporate income tax and deferred tax assets: The status of tax regulations applicable to the Company entails the need for estimated calculations and a final quantification of the uncertain tax. The calculation of the tax is carried out based on Company management's best estimates in accordance with the current tax situation and bearing in mind the foreseeable evolution of tax legislation.

  The Company evaluates the recovery of deferred tax assets based on estimates of future taxable income by analysing whether or not this income will be sufficient for the Company and the tax group to which it belongs during the periods in which the deferred tax assets are deductible.

  Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact income tax in the period in which such determination is made (Note 16).

- Contingent liabilities: The Company's management considers that there are no significant contingent liabilities at December 31, 2016 and 2015.

Despite the fact that these estimates have been made based on the best information available at the end of 2016, it is possible that events may take place in the future which will require them to be changed (upwards or downwards) in future years, which would be done on a prospective basis.

2.5 Comparison of information

In accordance with the current mercantile legislation, is presented for comparative purposes with each one of the headings in the balance sheet, the profit and loss account, the statement of changes in equity and the cash flow statement, in addition to the figures for the year 2016, the corresponding to the previous year. In the memory is also includes quantitative information in the prior financial year, except when an accounting rule specifically provides that it is not necessary.

In conformity with the Royal Decree 602/2016, in the present Annual Accounts is not included comparative information regarding the average number per categories of employed persons in the course of the year with a disability equal to or greater than 33% (Note 18.4).

2.6 Grouping of items

For the purposes of facilitating the understanding of the balance sheet, the profit and loss account, the statement of changes in equity and the cash flow, these Financial Statements are presented in a group format and all necessary analysis is set out in the notes to the Financial Statements.

3. DISTRIBUTION OF RESULT

The distribution of the net profit for 2016 that the Board of Directors of GAMESA will propose for approval by the shareholders at the General Meeting is as follows:

(Thousands of euros)	2016
Distribution basis:	
Profit for the year	87,105
Total	**87,105**
Distribution:	
Voluntary reserves	11,784
Dividends	75,321
Total	**87,105**

As described in Note 21 of the Notes to these Financial Statements, GAMESA has signed a merger with Siemens. The General Shareholders' Meeting of date of October 25, 2016 approved the merger and also, agreed subject to the effectiveness of the same, changes in the composition of the Board of Directors as well as an increase in capital to meet the exchange with 401,874,595 new shares. In the event that the effectiveness of the merger took place prior to the Ordinary General Shareholders' Meeting of 2017, constituted Board of Directors shall propose the dividend distribution agreement between all the shares after the aforementioned capital increase.

3.1 Limitations for the distribution of dividends

The Company is required to allocate 10% of the exercise benefits to the constitution of the legal reserve, until it reaches at least 20% of the share capital. This reserve, while it does not exceed the limit of 20% of the share capital, is not distributable to the shareholders (Note 12).

Once the care provided for by the law or the statutes are covered, only dividends can be shared with charge to the exercise benefit, or freely available reserves, if the value of the equity is not or, as a result of the deal, it is not less than the capital. For these purposes, benefits charged directly to equity cannot be subject to distribution, direct or indirect. If there are losses from prior years that did the net value of the Company less than the figure of the social capital, the benefit will go to offset these losses.

At December 31, 2016 and 2015 the legal reserve had reached the legally required minimum.

4. ACCOUNTING POLICIES AND MEASUREMENT BASIS

The main accounting and measurement policies followed by GAMESA during the preparation of the Financial Statements, in accordance with those stipulated in the Spanish General Accounting Plan, are as follows:

4.1 Intangible assets

As a general rule, intangible assets are initially recongised at acquisition or production cost. Subsequently they are measured at cost, less accumulated amortization and any applicable impairment loss. These assets are amortised over their useful life (Note 6).

Computer software

The Company uses this account to record the costs incurred on the acquisition and development of software. Software maintenance costs are recorded in the income statement for the year in which they arise. Software is amortised on a straight-line basis over three years.

4.2 Impairment of assets

At the end of each year or when there are indicatiors of impairment (for all other assets) the Company applies impairment tests to determine the possible existence of impairments that reduce the recoverable value of those assets to an amount lower than their carrying value.

If there is objective evidence that the carrying value is not recoverable, the relevant value adjustments are reflected for the difference between the carrying value and recoverable amount, understood as the higher of fair value less costs to sell and the present value of cash flows from the investment.

4.3 Property, plant and equipment

Property, plant and equipment is initially recongised at acquisition or production cost (Note 7) and subsequently reduced by accumulated depreciation and any impairment losses, in accordance with the policy mentioned under Note 4.2.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increase capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, the breakdown being as follows:

	Avarage estimated useful life
Other equipment and furnishings	6 – 10
Tooling	3 – 4
Another property, plant and equipment	3 – 5

4.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The Company only records leases of the latter type (Note 8).

Revenues and expenses deriving from operating leases are charged to the income statement in the year incurred.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

4.5 Financial instruments

Financial assets

Financial assets held by the company are classified into the following categories:

a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current assets. Loans and receivables are included under “Loans to companies” and “Trade and other receivables” on the balance sheet.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interest is recongised at the effective interest rate, which is the discount rate that brings the instrument’s carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At the year-end, at least, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

The amount of the impairment loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, will be recongised in the income statement.

b) Investments in the equity of group companies and associates: They are stated at cost less, where appropriate, accumulated value adjustments for impairment. However, when there is an investment prior to being classified as a group, jointly-controlled or associated company the carrying value before being so classified is considered to be a part of the investment cost. The prior measurement adjustments that are directly recorded under equity are maintained there until written off.

If there is objective evidence that the carrying value is not recoverable, the relevant value adjustments are reflected for the difference between the carrying value and recoverable amount, understood as the higher of fair value less costs to sell and the present value of cash flows from the investment. Unless better evidence is available of the recoverable amount, when estimating the impairment of these investments, the investee's equity is taken into account, adjusted for any latent capital gains existing at the measurement date. The value adjustment and, if appropriate, its reversal, are reflected in the income statement for the year in which they arise.

The provisions and reversals on investments in group companies and associates are recorded in operating income, under "Impairment losses on shares in group companies and associates" in accordance with the accounting interpretation in force.

GAMESA has majority stakes in the capital of certain companies and has shareholdings that are equal to or exceed 20% of the share capital in others (Appendix). These Financial Statements do not reflect the effect of applying consolidation or equity method criteria, as appropriate. As a company whose shares are listed on a stock market, GAMESA has presented its Consolidated Financial Statements for 2016 in accordance with International Financial Reporting Standards. Note 9 indicates the effect that the application of consolidation criteria in accordance with International Financial Reporting Standards would have on these Financial Statements.

c) Financial assets held for trading and other financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are considered to be all those assets held for trading that are acquired with the intention of being sold in the short-term or which form part of an identified securities portfolio that is jointly managed to obtain short-term profits, as well as financial assets designated by the Company at initial recognition to be included under this category as it provides more relevant information. Derivatives are also classified as held for trading provided that they do not consist of a financial guarantee and have not been designated as hedging instruments.

These financial assets are measured, both initially and subsequently, at fair value and any changes affecting this value are taken to the income statement for the year. Directly attributable transaction costs are recongised in the income statement for the year.

d) Available-for-sale financial assets: This category includes debt securities and equity instruments in other companies that have not been classified in any of the preceding categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

They are stated at fair value, recording the changes that take place directly under equity, up until the asset is disposed of or becomes impaired, the time at which accumulated profits and losses accumulated in equity are charged against the income statement, provided that it is possible to calculate the aforementioned fair value. If this is not the case, they are stated at cost less impairment losses.

In the case of available for sale financial assets, adjustments are made if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of acquired debt instruments or due to the lack of recovery of the carrying value of the asset in the case of equity investments. The adjustment is the difference between their cost and amortised cost less, if appropriate, any adjustment previously recongised in the income statement, and their fair value at the time at which measurement takes place. In the event that the equity instruments are measured at cost because their fair value cannot be calculated, the adjustment is determined in the same manner as for equity investments in group, multi-group and associated companies.

If there is objective evidence of impairment, the Company records accumulated losses previously recongised under equity as a reduction in fair value. Impairment losses on equity instruments recongised in the income statement are not reversed through the income statement.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using measurement techniques which include the use of recent transactions between knowledgeable willing parties, reference to other instruments which are substantially identical, methods of discounting future cash flows and models for setting option prices by making maximum use of observable market data and relying as little as possible on the Company's subjective considerations.

Financial assets are eliminated from the balance sheet when all risks and benefits inherent to ownership are substantially transferred. In the specific case of accounts receivable, the understanding is that this takes place in general when the risks of insolvency and default have been transferred.

Financial liabilities

e) Borrowings and payables: This category includes trade and non-trade payables. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recongised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the instrument's carrying amount into line with the expected future flow of payments to the maturity date of the liability.

Notwithstanding the above, loans for commercial operations maturing within one year, and which do not have a contractual interest rate, are stated, both at the time of initial recognition as well as subsequently, at their nominal value provided that the effect of not restating the cash flows is not significant.

Should any existing liabilities be renegotiated, no substantial modification to financial liabilities is deemed to exist when the new lender is the same party that granted the initial loan and the present value of cash flows, including net commissions, does not differ by more than 10% of the present value of the cash flows pending payment with respect to the original liability calculated using the same method.

4.6 Transactions and balances in foreign currency other than the euro

The Company's functional currency is the euro. As a result, transactions in currencies other than the euro are considered to be denominated in foreign currency and are recorded at the exchange rates prevailing on the transaction dates.

At the end of the year monetary assets and liabilities denominated in foreign currency are converted using the exchange rate in force at the balance sheet date. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

Non-monetary assets and liabilities which are measured at fair value and are denominated in foreign currency are translated at the exchange rates prevailing on the date on which fair value was determined. Gains or losses that are revealed are taken to equity or to profit and loss in accordance with the same criteria used to recognise changes in fair value.

4.7 Corporate income tax

Since 2002 GAMESA and certain subsidiaries located in the Basque Country subject to local corporation tax legislation have filed income tax returns under the special consolidated tax regime. This regime is now regulated under the chapter VI of the title VI of the local Income Tax Regulation 11/2013, of December 5, of the Vizcaya Historical Area. GAMESA therefore applies the criteria established by the Accounting and Audit Institute Resolution dated October 9, 1997 when recognising the accounting effects of that tax consolidation. Therefore, GAMESA applied the criteria laid down by the resolution of the ICAC's February 9, 2016, in order to register the accounting effects of the fiscal consolidation (Note 16).

Corporate income tax expense and revenue consists of the expense or revenue deriving from current taxes and a portion of deferred tax expense or revenue.

Current tax is the amount that the Company pays as a result of the tax returns it files each for corporate income tax purposes. Deductions and other tax benefits applied to tax payable, without taking into consideration withholdings and interim payments, as well as tax-loss carryforwards from prior years effectively applied this year, reduce current taxes.

Deferred tax expense and revenue relates to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are recorded by applying the timing difference or credit relating to the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities for all taxable timing differences are recongised, except those deriving from initial recognition of goodwill or other assets and liabilities in a transaction that does not affect taxable or book results and is not a business combination.

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities deriving from transactions involving direct charges or credits to Equity are also recorded under Equity.

At each year end recongised deferred tax assets will be reconsidered and all appropriate adjustments will be made to the extent that there are any doubts regarding future recovery. Deferred tax assets not recongised in the balance sheet are also reviewed at each year end in order to recongise the extent to which it is likely that they may be offset against future taxable profits.

4.8 Income and expenses

Income and expense are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred, rather than the period in which the cash is actually received or disbursed. Such income is measured at the fair value of the consideration received, less any discounts and taxes.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the benefit can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. In any event, interest and dividends from financial assets accrued after the time of acquisition will be recongised as revenue in the income statement.

4.9 Severance indemnities

In accordance with current, GAMESA is required to pay indemnities to employees who, under certain conditions, are dismissed from the Company. Severance indemnities which can be reasonably quantified are expensed in the year in which the related decision is taken and reported. During the financial year 2016 €165 thousands were recognised for severance payments (€264 thousands in the year 2015)(Note 18.4).

In the Annual Accounts for the year ended December 31, 2016 and 2015 there is no provision whatsoever for this item, since all of the situations reported during both years have been settled at the year-end.

4.10 Environmental assets

Environmental assets are considered to be those which are used on a lasting basis in the Company's activity and whose main purpose is to minimize environmental impacts and to protect and improve the environment, including the reduction or elimination of future pollution.

Due to its nature, the Company's activity does not have any significant environmental impact.

4.11 Equity instruments and share-based payments

An equity instrument represents a residual stake in the Company's equity after deducting all liabilities. The equity instruments issued by the Company are recorded under equity at the amount received, net of issue costs.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration paid in exchange, directly as a reduction in equity. The results deriving from the purchase, sale, issue or amortisation of treasury shares are recognised directly in equity and in no case is any gain or loss recognised in the income statement (Note 12.3).

GAMESA recognises the assets and services received as a result of share-based payments as an asset or expense, based on their nature, at the time they were obtained and the relevant increase in equity of the transaction is settled using equity instruments or a liability if the transaction is settled at an amount based on the value of equity instruments (Note 12.4).

In the case of transactions that are settled with equity instruments, both the services rendered and the increase in equity are measured at the fair value of the equity instruments assigned, at the date of the granting agreement. If, to the contrary, it is settled in cash, the assets and services received and the related liability is recognised at the fair value of the latter on the date on which the recognition criteria are met.

In the cases in which GAMESA grants treasury shares to subsidiaries to make payment of these instruments to employees, the fair value balancing entry for the equity instruments delivered is considered to be an increase in the value of the investment that GAMESA has in the subsidiary, unless it is not likely that profits or financial yields will not be obtained, in which case it would be an expense (Notes 9 and 12.4).

4.12 Provisions and contingencies

When preparing the Financial Statements, the Company's Directors make a distinction between:

a) *Provisions*: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations (Note 13).

b) *Contingent liabilities*: possible obligations as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the Company (Note 13).

The Annual Accounts include all provisions for obligations classed as more likely than not to arise. Contingent liabilities are not recognised in the Annual Accounts, but rather they are reported in the notes to the accounts to the extent that they are not considered to be remote.

Provisions are stated at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available regarding the event and its consequences, and recognising those adjustments that arise from the restatement of those provisions as a financial expense as they accrue.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

4.13 Transactions and balances with related-parties

Transactions between Group companies are initially recongised at fair value. Transactions are subsequently measured in accordance with applicable standards.

However, in transactions involving a merger, spin-off or non-monetary contribution of a business the elements making up the acquired business are measured at their value after the transaction in the consolidated Annual Accounts for the Group or the subgroup.

When the parent company of the group or subgroup and its subsidiary are not involved, the Annual Accounts to be taken into account for these purposes will be those of the larger group or subgroup into which the equity items are incorporated and whose parent company is Spanish.

In these cases, the difference that may arise between the net value of the assets and liabilities of the target company, adjusted for any balance relating to subsidies or donations received and adjusted for any changes in value, and any capital and share premium amount issued by the acquiring company is recongised under reserves.

4.14 Cash and other cash equivalents

This balance sheet heading includes petty cash bank accounts and any deposits and assets acquired under repurchase agreements that meet all of the following requirements:

- Convertible into cash.
- At the time of acquisition the maturity date did not exceed three months.
- They are not subject to a significant risk of changes in value.
- They form part of the Company's normal cash management policy.

4.15 Equity

Share capital consists of ordinary shares.

The cost of issuing new shares is charged directly against equity, as a reduction in reserves.

In the event that the Company's acquires treasury shares, the price paid, including any directly attributable incremental cost, is deducted from equity until the treasury shares are redeemed, reissued or sold. When these shares are subsequently sold or reissued, any amount received is taken to Equity net of directly attributable incremental costs.

4.16 Estimation of fair value

The fair value of the financial instruments sold on an active markets (such as held-for-trading and available-for-sale equities) is based on the market prices at the balance sheet date. The listed market price used for financial assets is the ordinary purchase price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and develops assumptions that are based on market conditions existing at each balance sheet date. For long-term debt market prices or agent quotation prices are used. Other techniques, such as estimated discounted cash flows, are used to determine fair value for other financial instruments. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The fair value of forward foreign exchange contracts is determined using listed forward exchange market rates at the balance sheet date.

The carrying amounts of trade receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

5. INFORMATION ON THE NATURE AND LEVEL OF RISK OF FINANCIAL INSTRUMENTS

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

5.1 Market risk (exchange rate)

This risk arises as a result of the international transactions carried out by the GAMESA Group in the ordinary course of its business. Part of its revenues and its expenses are denominated in US dollars, Indian rupees, and Chinese yuan, Brazilian reals and Mexican pesos and, to a lesser extent, other currencies apart from the euro. The main line of action of the hedging strategy is based on maximizing natural hedging of the business by locating the supply of components and the manufacturing in the main regions where the Group is established and sells its products (e.g. India, Brazil, China, Mexico, etc.).

Related with the previous information, the Group uses certain methods in order to decrease the exchange rate risk in the contract with clients.

However, the Group also uses financial instruments and hedging strategies in order to manage the exposure of the results to the foreign currency risk, which are affected by fluctuations that occur in the exchange rates.

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

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

The Group's risk management policy is to cover up to a maximum of 85% of projected cash flows in each principal currency in the following period ranging normally from 18 to 24 months. Periodically, new cash flow forecasts are updated in order to manage the adequate hedging strategy.

The breakdown of the main foreign currency balances at December 31, 2016 and 2015 is as follows:

	Equivalent value in thousands of euros			
	12.31.2016		12.31.2015	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Pound sterling	-	-	-	24
US dollar	69	19	9	17
Other currencies	1	-	1	1
Total	**70**	**19**	**10**	**42**

The breakdown of the main foreign currency balances, based on the nature of the items concerned, is as follows:

	Equivalent value in thousands of euros			
	12.31.2016		12.31.2015	
Nature of the balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Receivables	58	-	6	-
Cash and other liquid assets equivalents	12	-	4	-
Payables and other	-	19	-	42
Total	**70**	**19**	**10**	**42**

5.2 Interest rate risk

The Group uses external financing sources for the performance of some of their operations, so it is exposed to rising interest rates on its debt.

Loans at variable rates expose the Group to interest rate risk, which is partially offset by cash held at variable rates. Loans at fixed rate expose the Group to fair value interest rate risks.

The hedging instruments assigned specifically to debt instruments are limited to a maximum of the same nominal amounts and have the same established maturities as the hedged items.

The GAMESA Group carries out the management of interest rate risk analyzing periodically, at least on a semi-annual basis, the loans exposure to the interest rates and terms, determining the ideal percentage of fixed or variable rate, always with non-speculative hedging purposes.

5.3 Liquidity risk

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

5.4 Credit risk

The GAMESA Group is exposed to credit risk to the extent that a counterparty or customer does not meet its contractual obligations. Products and services are sold to customers that have an appropriate and adequate credit history with respect to which solvency analysis are established.

In addition, the GAMESA Group's customer portfolio is mainly made up of large electric companies with high credit ratings. For customers with no credit rating and in the case of international sales to non-recurring customers, mechanisms such as irrevocable letters of credit and insurance policies are used to ensure collection. Also, the financial solvency of customers is analysed and specific terms and conditions are included in contracts aimed at guaranteeing payment of the stipulated price.

A substantial part of the credit risk of the accounts receivable is mitigated because they are related to sales to the Group.

6. INTANGIBLE ASSETS

The movements produced during the year 2016 and 2015 in the Heading "Intangible assets" on the balance sheet have been the following:

(Thousands of euros)	Balance at 12.31.2015	Additions/ (Amortisation)	Balance at 12.31.2016
Year 2016			
COST			
Industrial property	23	-	23
Software	2,948	103	3,051
	2,971	**103**	**3,074**
AMORTISATION			
Industrial property	(23)	-	(23)
Software	(2,720)	(157)	(2,877)
	(2,743)	**(157)**	**(2,900)**
Net total	**228**		**174**

(Thousands of euros)	Balance at 12.31.2014	Additions/ (Amortisation)	Balance at 12.31.2015
Year 2015			
COST			
Industrial property	23	-	23
Software	2,900	48	2,948
	2,923	**48**	**2,971**
AMORTISATION			
Industrial property	(23)	-	(23)
Software	(2,509)	(211)	(2,720)
	(2,532)	**(211)**	**(2,743)**
Net total	**391**		**228**

At December 31, 2016 and 2015 the Company recorded fully amortised intangible assets that continued to be used, as follows:

(Thousands of euros)	Carrying value (gross) 12.31.2016	Carrying value (gross) 12.31.2015
Industrial property	23	23
Software	2,633	1,959
Total fully amortised intangible assets	**2,656**	**1,982**

7. PROPERTY, PLANT AND EQUIPMENT

Movements in the accounts included under Property, plant and equipment during 2016 and 2015 are as follows:

(Thousands of euros)	Balance at 12.31.2015	Additions/ (Amortisation)	Balance at 12.31.2016
Year 2016			
COST			
Other installations, tooling and fixtures	2,430	181	2,611
Other property, plant and equipment	1,501	36	1,537
	3,931	**217**	**4,148**
AMORTISATION			
Other installations, tooling and fixtures	(2,024)	(62)	(2,086)
Other property, plant and equipment	(1,373)	(70)	(1,443)
	(3,397)	**(132)**	**(3,529)**
Net total	**534**		**619**

(Thousands of euros)	Balance at 12.31.2014	Additions/ (Amortisation)	Balance at 12.31.2015
Year 2015			
COST			
Other installations, tooling and fixtures	2,272	158	2,430
Other property, plant and equipment	1,390	111	1,501
	3,662	**269**	**3,931**
AMORTISATION			
Other installations, tooling and fixtures	(1,957)	(67)	(2,024)
Other property, plant and equipment	(1,319)	(54)	(1,373)
	(3,276)	**(121)**	**(3,397)**
Net total	**386**		**534**

GAMESA's policy is to obtain insurance policies to cover all risks that could affect its property, plant and equipment. At the end of 2016 and 2015 there was no shortfall in the coverage for these risks.

At December 31, 2016 and 2015 the Company recorded fully amortised property, plant and equipment that continued to be used, as follows:

	Carrying value (gross)	
(Thousands of euros)	12.31.2016	12.31.2015
Other facilities, tooling and furniture	1,782	1,782
Another property, plant and equipment	1,325	1,307
Total fully amortised property, plant and equipment	**3,107**	**3,089**

The Company had no commitments to acquire property, plant and equipment at December 31, 2016 and 2015.

8. LEASES

At the end of 2016 and 2015 the Company has contracted the following minimum lease instalments with several lessors, in accordance with current contracts, without taking into account the repercussion of common expenses, inflation increases or future updates of the rent agreed in the contracts.

	(Thousands of euros)	
Operation leases	Par value	
Minimum instalments	12.31.2016	12.31.2015
Less than a year	3,575	3,193
Between 1 and 5 years	7,402	6,344
More than 5 years	4,591	1,908
Total	**15,568**	**11,445**

At December 31, 2016 and 2015 the Company maintains various lease contracts, mainly related with offices located in Zamudio, Pamplona and Madrid. Besides, there are individually no material vehicle lease contracts.

At December 31, 2016 and 2015 the Company held a total of €477 thousands and €444 thousands, respectively, under the heading "Long-term financial investments - Deposits and guarantees provided" (Note 9) for building lease security deposits for the premises at which GAMESA mainly carries out its business.

9. NON-CURRENT FINANCIAL INSTRUMENTS

The balance under the heading "Long-term investments in group companies and associates" and "Non-current financial assets" at the end of 2016 and 2015 is as follows:

(Thousands of euros)	Non-current financial instruments Equity instruments	Loans, derivatives and others	Total
Year 2016			
Shareholdings in Group companies and associates	409,593	-	409,593
Long term loans to third parties	-	600	600
Deposits and guarantees provided (Note 8)	-	477	477
Total	**409,593**	**1,077**	**410,670**
Year 2015			
Shareholdings in Group companies and associates	374,317	-	374,317
Deposits and guarantees provided (Note 8)	-	444	444
Total	**374,317**	**444**	**374,761**

Movement during 2016 and 2015 in "Non-current investments in group companies and associates" and "Non-current financial investments" is as follows:

(Thousands of euros)	Non-current financial instruments Balance at 12.31.2015	Additions	Disposals	(Impairment) /reversal	Balance at 12.31.2016
Year 2016					
Shareholdings in Group companies and associates	374,317	4,785	(4,577)	35,068	409,593
Loans and receivables available-for-sale assets	-	600	-	-	600
Deposits and guarantees (Note 8)	444	33	-	-	477
Total	**374,761**	**5,418**	**(4,577)**	**35,068**	**410,670**

(Thousands of euros)	Non-current financial instruments Balance at 12.31.2014	Additions	Disposals	(Impairment) /reversal	Balance at 12.31.2015
Year 2015					
Shareholdings in Group companies and associates	276,108	588	(5,880)	103,501	374,317
Loans and receivables available-for-sale assets	113	-	-	(113)	-
Deposits and guarantees (Note 8)	447	-	(3)	-	444
Total	**276,668**	**588**	**(5,883)**	**103,388**	**374,761**

9.1 Shareholdings in Group companies and associates

The most significant information relating to Group companies and associates at the end of 2016 and 2015 is as follows:

Company or Group of companies (Note 19 and Appendix)	% Direct interest	% Indirect interest	Carrying value: Cost	Carrying value: Accumulated impairment losses	Capital (1)	Rest of equity with no yield (1)	Operating results (1)	Net profit (1)	Dividends collected (Note 19)
			(Thousands of euros)						
Year 2016									
Group companies:									
Gamesa Energía, S.A. Unipersonal (**)	100%	-	169,283	-	35,491	132,627	72,048	82,124	85,000
Gamesa Technology Corporation, Inc. (*)	100%	-	480,480	(255,059)	24,942	419,972	(86)	5,129	-
Gamesa Venture Capital, S.C.R. de Régimen Simplificado (*)	100%	-	600	-	600	18	-	(122)	-
9Ren España, S.L. (**)	49%	51%	42,510	(34,325)	11,957	17,953	(1,105)	(1,220)	-
Associated companies:									
Windar Renovables, S.L. (***)	32%	-	6,104	-	9	48,979	9,387	9,387	-
Total			**698,977**	**(289,384)**					

(1) This information makes reference to the individual Financial Statements at December 31, 2016, not consolidated, for the respective companies.
(*) Companies not legally required to audit their Annual Accounts.
(**) Companies audited by EY.
(***) Audited by another audit firm.

Company or Group of companies (Note 19 and Appendix)	% Direct interest	% Indirect interest	Carrying value: Cost	Carrying value: Accumulated impairment losses	Capital (1)	Rest of equity with no yield (1)	Operating results (1)	Net profit (1)	Dividends collected (Note 19)
			(Thousands of euros)						
Year 2015									
Group companies:									
Gamesa Energía, S.A. Unipersonal (**)	100%	-	164,849	-	35,491	157,752	(12,098)	(33,238)	-
Cametor, S.L. Unipersonal (*)	100%	-	4,577	-	3,902	8,619	116	57	-
Gamesa Technology Corporation, Inc. (*)	100%	-	480,129	(290,712)	24,942	363,537	(8,001)	41,865	-
Gamesa Venture Capital, S.C.R. de Régimen Simplificado (*)	100%	-	600	-	600	18	-	1	-
Associated companies:									
Windar Renovables, S.L. (***)	32%	-	6,104	-	9	43,306	5,261	3,214	-
9Ren España, S.L. (***)	49%	-	42,509	(33,739)	11,957	15,083	(618)	(618)	-
New Broadband Network Solutions, S.L. (*)	31%	-	2,001	(2,001)	560	(1,313)	(241)	(241)	-
Total			**700,769**	**(326,452)**					

(1) This information makes reference to the individual Financial Statements at December 31, 2015, not consolidated, for the respective companies.
(*) Companies not legally required to audit their Annual Accounts.
(**) Companies audited by EY.
(***) Audited by another audit firm

Changes in the cost of the shareholdings in 2016 and 2015 are as follows (thousands of euros):

Company or Group of companies	Carrying value: Balance at 12.31.2015	Acquisitions	Share capital increase and Shareholder contributions	Incentive plans (Note 12.4)	(Impairment) /reversal of shareholdings	Other movements	Balance at 12.31.2016
Year 2016							
Gamesa Energía, S.A. Unipersonal	164,849	-	4,577	(142)	-	-	169,284
Gamesa Technology Corporation, Inc.	189,417	-	-	350	35,654	-	225,421
9Ren España, S.L.	8,771	-	-	-	(586)	-	8,185
Others	11,280	-	(4,577)	-	-	-	6,703
Total	**374,317**	**-**	**-**	**208**	**35,068**	**-**	**409,593**

Company or Group of companies	Carrying value: Balance at 12.31.2014	Acquisitions	Share capital increase and Shareholder contributions	Incentive plans (Note 12.4)	(Impairment) /reversal of shareholdings	Other movements	Balance at 12.31.2015
Year 2015							
Gamesa Energía, S.A. Unipersonal	164,337	-	-	512	-	-	164,849
Gamesa Technology Corporation, Inc.	85,839	-		76	103,502	-	189,417
New Broadband Network Solutions, S.L.	-	-	-	-	-	-	-
9Ren España, S.L.	14,651	-	(5,880)	-	-	-	8,771
Others	11,281	-	-	-	(1)	-	11,280
Total	**276,108**	**-**	**(5,880)**	**588**	**103,501**	**-**	**374,317**

The most significant changes in 2016 were as follows:

- On September 22, 2016 Gamesa Energía, S.A.U. absorbed the company Cametor S.L.U. transferring the total equity to Gamesa Energía, S.A.U. As a consequence, the company Cametor, S.L.U. is dissolved, without liquidation, and with the corresponding writing.

- The impairment provision of the shareholding in Gamesa Technology Corporation, Inc has been partially reversed amounting €35,654 thousands as a result of the positive evolution of this company during 2016.

- On December 30, 2016, the group company, Gamesa Energía, S.A.U., acquired the 51% shareholding in 9REN España, S.L. (hereinafter "9REN") reaching the 100% of this company. The consideration paid for this 51% amounted €8.5 million.

  The external costs of the transaction were of an insignificant amount.

The most significant variations of the exercise 2015 have been the following:

- In June 2015 the partners of 9Ren España, S.L. have agreed a payout of share premium that has meant to Company a decrease of the cost of the shareholding in €5,880 thousands. During the year 2015, the Company has had a negative result of 0.6 million euros, in line with the budget of the business plan. There have not been changes on the estimates of future projection used for the analysis of recoverable value mentioned later in this note.

- The impairment provision of the shareholding of Gamesa Technology Corporation, Inc has been partly reversed amounting €103,501 thousands due to the positive performance of this company during the year 2015.

9.2 Non-current financial information

The breakdown by maturity of the items composing "Long-term financial investments" at December 31, 2016 is as follows:

(Thousands of euros)	2017	2018	2019	2020 onwards	Total
Year 2016					
Deposits and guarantees provided	197	-	-	280	477
Total	**197**	**-**	**-**	**280**	**477**

"Other non-current financial assets" are recognised at amortised cost, which fundamentally coincides with their market value.

9.3 Effect of non-consolidation

GAMESA's Financial Statements are presented in compliance with current mercantile legislation. However, the management of GAMESA and Group companies is carried out on a consolidation basis. As a result, GAMESA's Financial Statements do not reflect the financial-equity changes that result from applying consolidation criteria to those shares or the transactions carried out by them, some of which derive from the Group's global strategy. These changes are reflected in the Consolidated Financial Statements for the GAMESA Group in 2016.

The main figures in GAMESA's consolidated accounts for 2016 and 2015, prepared in accordance with International Financial Reporting Standards approved by the European Union (IFRS-EU) are as follows:

(Thousands of euros)	12.31.2016	12.31.2015
Total assets	5,895,083	4,640,665
Equity	1,765,002	1,527,204
Parent Company	1,764,682	1,526,908
Minority shareholders	320	296
Net revenues from continuing operations	4,611,983	3,503,802
Profit for the year	302,396	169,874
Parent Company	301,278	170,216
Minority shareholders	1,118	(342)

10. CURRENT FINANCIAL INSTRUMENTS

The breakdown of current financial instruments at December 31, 2016 and 2015 is as follows:

(Thousands of euros)	Current financial instruments Loans, derivatives and other	Total
Year 2016		
Loans and receivables:		
Trade receivables for sales and services rendered	27	27
Group trade receivables (Note 19)	30,838	30,838
Trade receivables	97	97
Loans to Group companies (Note 19)	531,506	531,506
Current financial investments	1,025	1,025
Total	**563,493**	**563,493**
Year 2015		
Loans and receivables:		
Trade receivables for sales and services rendered	35	35
Group trade receivables (Note 19)	42,794	42,794
Trade receivables	97	97
Loans to Group companies (Note 19)	523,045	523,045
Current financial investments	1,765	1,765
Total	**567,736**	**567,736**

11. CASH AND OTHER CASH EQUIVALENTS

“Cash and cash equivalents” includes mainly the Group's cash and short-term bank deposits with an initial maturity of three months or less. Cash and cash equivalents accrue market interest rates. There are no restrictions on the use of the balances.

12. EQUITY AND CAPITAL AND RESERVES

12.1 Share capital

The Share capital of Gamesa Corporación Tecnológica, S.A. at December 31, 2016 and 2015 amounts to €47,476 thousands being composed of 279,268,787 ordinary shares of €0.17 of nominal value each, represented by means of annotations into account, fully subscribed and disbursed.

Per public information in the possession of the Company, the shareholder structure of GAMESA at December 31, 2016 and 2015 was as follows:

	% Shareholding 12.31.2016	% Shareholding 12.31.2015
Iberdrola, S.A.	19.69%	19.69%
Norges Bank	3.21%	-
Blackrock Inc. (**)	-	3.17%
Fidelity International Limited (***)	1.06%	1.10%
OZ Master Fund Ltd (****)	2.04%	-
Others (*)	74.00%	76.04%
Total	**100.00%**	**100.00%**

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

(**) According to the records of the National Securities Market Commission the company Blackrock Inc. held at December 31, 2015 part of their stake (0.166%) in the capital of GAMESA Technological Corporation, S.A. in voting rights linked to the settlement of financial instruments.

(***) Significant shareholder under article 32 of the Royal Decree 1362/2007 of October 19, on shareholders required to notify their stake due to his residence in a tax heaven or in a country or land of zero taxation or with no effective exchange of tax information.

(****) Significant shareholder based entirely on voting rights linked to the exercise of financial instruments. Significant shareholder under article 32 of the Royal Decree 1362/2007 of October 19, on shareholders required to notify their stake due to his residence in a tax heaven or in a country or land of zero taxation or with no effective exchange of tax information.

GAMESA's shares have been listed through the Automated Quotation System (Mercado Continuo) since October 31, 2000 and included in the IBEX 35 index. GAMESA’s shares are listed on the Bilbao, Madrid, Barcelona and Valencia and Stock Exchanges.

12.2 Reserves

Share premium

The Limited Liability Companies Law expressly allows the use of the share premium account to increase share capital and there are no specific restrictions with respect to the availability of this balance.

Legal reserve

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

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Except for the aforementioned purpose, until it exceeds 20% of the share capital, this reserve may be used only to set off losses and this may only be done if other available reserves are insufficient for this purpose. At the end of 2016 this reserve is fully reached.

12.3 Treasury shares

The breakdown of the total number of treasury shares and of the heading “Equity – Shareholder’s equity - Treasury Shares”, and of the changes therein as a result of the transactions performed in 2016 and 2015, is as follows:

	Number of shares	Thousands of euros
Balance at January 1, 2015	**3,154,218**	**(24,873)**
Acquisitions	32,771,429	(421,014)
Disposals	(32,808,945)	399,643
Balance at December 31, 2015	**3,116,702**	**(46,244)**
Acquisitions	21,931,051	(397,188)
Disposals	(21,981,493)	385,405
Disbursements of incentive plan net of tax effect	(700,995)	11,130
Balance at December 31, 2016	**2,365,265**	**(46,897)**

The nominal value of the treasury shares acquired directly or indirectly by GAMESA, together with those already held by GAMESA and its subsidiaries does not exceed 10% of share capital in 2016 or 2015.

On October 30, 2012 Gamesa Corporación Tecnológica, S.A. signed a liquidity agreement with Santander Investment Bolsa, which was reported to the National Securities Market Commission through Relevant Fact of October 31, 2012. Within the framework of this contract, in 2016, GAMESA acquired 21,931,051 treasury shares at an average price of €18.11 and sold 21,981,493 treasury shares at an average price of €17.53. The difference between the cost price and the selling price, amounting €616 thousands, was recorded in "voluntary reserves".

During the year 2015, GAMESA acquired 32,771,429 treasury shares at an average price of €12.85 and sold 32,808,945 treasury shares at an average price of €12.18. The difference between the cost price and the selling price, amounting to €120 thousands, was recorded in "Voluntary reserves".

12.4 Incentive plan

2013-2015 Incentive plan

On April 19, 2013 the General Meeting of Shareholders approved the program of delivery of actions linked to the achievement of the objectives of the Business Plan of Company 2013-2015. The Plan consists of a special incentive, multiannual and mixed, payable in cash and shares of the Company, which may give rise (i), after the application of certain coefficients, on the basis of the degree of achievement of strategic objectives, to the payment of a cash bonus ("cash bonus"), and (ii) on the basis of an initial number of assigned actions ("theoretical actions"), to the effective delivery of actions of GAMESA in the date of payment provided for. With regard to the part to be paid in shares, does not guarantee any minimum value of assigned actions.

The Plan cannot exceed a total of 3,000,000 shares, at maximum, and all of the shares to be delivered through the execution of the Plan will originate from the Company's own portfolio. The Plan includes an estimate of the payment of cash bonuses amounting a maximum of €18 million in the event that 100% of the targets are met. This plan is aimed at individuals who, due to their level of responsibility or their position at Gamesa, contribute decisively to the achievement of the Company's objectives. The Plan has 74 beneficiaries (75 beneficiaries in 2015), notwithstanding the possibility that new hires or, due to transfers or changes in professional levels, others will become new beneficiaries during the period taken into consideration, with respect to the maximum authorized share limit.

The company must recongise services when they are received. GAMESA recorded the rendering of services to the beneficiaries relating to the incentive payable in shares as personnel expenses on an accruals basis, apportioning the estimate of the fair value of the equity instruments assigned over the term of the plan (between January 1, 2013 and December 31, 2016), which gave rise to a credit amounting €56 thousands under "Personnel expenses" in the accompanying consolidated income statement for 2016, crediting the heading "Other reserves" under equity in the accompanying consolidated balance sheet at December 31, 2016 (€1,051 thousands in 2015).

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

- The risk-free rate is 3%.
- To determine the volatility of the shares and the dividends distributed per share, the average value was calculated for the last three months of 2012.
- The dividends accrued during the period of the plan are not paid.

In addition and with respect to the cash incentive, GAMESA has recognised the rendering of services relating to this incentive as a personnel expense on an accruals basis, crediting €3 thousands to the heading "Other liabilities" under non-current liabilities in the consolidated balance sheet at December 31, 2016 (€3,000 thousands in 2015). 100% (100% in 2015) of the targets associated with this incentive are assumed to have been met.

In those cases in which GAMESA granted equity instruments to its subsidiaries to make payment of these instruments to beneficiaries, the Company has recorded €208 thousands under the heading "Investments in Group companies and associates-Shareholdings in Group companies and associates" in the accompanying balance sheet at December 31, 2016 (Note 9), crediting the heading "Reserves - Other reserves" under equity, equivalent to the services received and accrued by beneficiaries at subsidiaries (€588 thousands in 2015).

13. PROVISIONS AND CONTINGENCIES

The breakdown of provisions in the balance sheet at December 31, 2016 and 2015, as well as the main movements recorded during the year, is as follows:

(Thousands of euros)	12.31.2015	Allocation/ Application	Reversion	Other	12.31.2016
Short-term provisions					
Other short-term provisions	1,381	-	(1,381)	170	170
Total short term	**1,381**	**-**	**(1,381)**	**170**	**170**

(Thousands of euros)	12.31.2014	Allocation/ Application	Reversion	Other	12.31.2015
Short-term provisions					
Other short-term provisions	891	490	-	-	1,381
Total short term	**891**	**490**	**-**	**-**	**1,381**

14. BANK BORROWINGS

There are no debts with credit institutions at December 31, 2016.

At December 31, 2015 bank borrowings were as follows:

Thousands of euros	Short-term	Long-term	Total
Year 2015			
Loans and Credit lines	234	-	234
Interest payable	-	-	-
Total	**234**	**-**	**234**

On July 15, 2014 the Bank of Brazil granted a loan for an amount of €21,000 thousands. The final maturity was scheduled on June 29, 2017. On September 26, 2014 Banco Sabadell granted a loan for an amount of €10,000 thousands. The final maturity was scheduled on September 26, 2018. Both loans had been amortised completely in advance during the year 2015.

The loans and credit lines bear payable interests according to the Euribor plus a market spread.

15. OTHER FINANCIAL LIABILITIES

This heading includes the provision for outstanding remuneration to staff derived from Incentive Plan 2013-2015 (Note 12.4) by amount of €4,182 which were considered as short term on December 31, 2016.

16. PUBLIC ADMINISTRATIONS AND TAX SITUATION

Since 2002 GAMESA and some of its subsidiaries subject to Basque Country income tax legislation have filed their income tax returns under the special consolidated tax regime. Also, since 2009, GAMESA and subsidiary companies are resolved to be under the Group's Special Regime of Value Added Tax included in Chapter IX of the Provincial Law 7/1994 of November 9, of Vizcaya which regulate this tax at its basic level, being GAMESA the parent company of the Tax Group.

The companies composing the Consolidated Tax Group regarding the Income Tax in 2016 are as follows:

Gamesa Corporación Tecnológica, S.A. (Sociedad dominante)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Gamesa Europa, S.L.U.	Sistemas Energéticos Fonseca, S.A.U.
Gamesa Energía, S.A.U.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Gamesa Venture Capital, S.A.	Sistemas Energéticos Balazote, S.A.U.
Gamesa Inversiones Energéticas Renovables, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
International Windfarm Development II, S.L.	Sistemas Energéticos Monte Genaro, S.L.U.
Sistemas Energéticos Tablero Tabordo, S.L.	Sistemas Energéticos Argañoso, S.A.U.
Sistemas Energéticos Tarifa, S.A.U.	Sistemas Energéticos Carril, S.A.U.
International Windfarm Development IV, S.L.	Sistemas Energéticos Jaralón, S.A.U.
International Windfarm Development V, S.L.	Sistemas Energéticos Lomas del Reposo, S.A.U.
International Windfarm Development VII, S.L.	International Windfarm Development VI, S.L.
Gamesa Financiación, S.A.	International Windfarm Development IX, S.L.

Parque Eólico Dos Picos, S.L.	

The same societies, except the ones indicated in the next table are covered by the Special Regime of the Group of Entities of Value Added Tax.

Gamesa Venture Capital, S.A.	International Windfarm Development VII, S.L.
International Windfarm Development IV, S.L.	Gamesa Financiación, S.A.
International Windfarm Development V, S.L.	Parque Eólico Dos Picos, S.L.
International Windfarm Development VI, S.L	

16.1 Current payables to public institutions

The breakdown of current taxes and Social Security payable at December 31, 2016 and 2015 is as follows:

(Thousands of euros)	12.31.2016	12.31.2015
Balances receivables		
VAT refundable	114	537
Withholdings refundable and interim payments	7,091	3,932
Total	**7,205**	**4,469**
Balances payables		
VAT payable	1,374	1,451
Withholdings payable	390	767
Social security	377	338
Total	**2,141**	**2,556**

16.2 Reconciliation of reported results and taxable results

The reconciliation between reported profits and taxable profits for GAMESA at the individual level is set out below:

(Thousands of euros)	
Year 2016	
Book profit before taxes	**103,121**
Plus (less) – Permanent differences	(3,935)
Plus (less) – Timing differences	
Other provisions	(5,477)
Individual tax base	**93,709**
Plus (minus) – Eliminations due to consolidated taxation	(85,000)
Individual tax base contributed to the Group	**8,709**
Year 2015	
Book profit before taxes	**114,701**
Plus (less) – Permanent differences	(3,006)
Plus (less) – Timing differences	
Other provisions	4,051
Individual tax base	**115,746**
Plus (minus) – Eliminations due to consolidated taxation	-
Individual tax base contributed to the Group	**115,746**

During the year 2016, GAMESA has received a dividend of its subsidiary Gamesa Energía, S.A.U. (Note 19) amounting 85,000 thousand. The dividend is not integrated into the tax base of the Company in accordance with the tax legislation in force.

During the year 2015, GAMESA has received a dividend of its subsidiary Windar Renovables, S.L. (Note 19) amounting €3,006 thousand. The dividend is not integrated into the tax base of the Company in accordance with the tax legislation in force.

16.3 Reconciliation of reported profits and income tax expense/ (income)

The reconciliation between reported profits and taxable profits is set out below:

(Thousands of euros)	2016	2015
Book profit before taxes	103,121	114,701
Impact of permanent differences	(88,935)	(3,006)
Tax payable at 28%	**3,972**	**31,275**
Others	-	-
Tax-loss carryforwards yet to be applied and deductions applied in prior years	12,044	6,543
Total corporate income tax expense / (income)	**16,016**	**37,818**

16.4 Breakdown of total corporate income tax expense/(income)

The breakdown of the corporate income tax income is as follows:

(Thousands of euros)	2016	2015
Current tax		
From continuing operations	1,655	(598)
Deferred tax		
For continuing operations	14,361	38,416
Total corporate income tax expense / (income)	**16,016**	**37,818**

16.5 Deferred tax assets recognised

The breakdown at December 31, 2016 and 2015 and movements in this account during the year are as follows:

(Thousands of euros)	12.31.2015	Additions	Applications/ Transfers	12.31.2016
Deferred tax assets	2,757	(1,698)	-	1,059
Available tax-loss carryforwards pending application	4,322	(9,930)	5,608	-
Deductions capitalised by the Tax Group	2,733	(2,733)	-	-
Total deferred tax assets	**9,812**	**(14,361)**	**5,608**	**1,059**

(Thousands of euros)	12.31.2014	Additions	Applications/ Transfers	12.31.2015
Deferred tax assets	2,541	216	-	2,757
Available tax-loss carryforwards pending application	30,337	(19,308)	(6,707)	4,322
Deductions capitalised by the Tax Group	2,025	(19,324)	20,032	2,733
Total deferred tax assets	**34,903**	**(38,416)**	**13,325**	**9,812**

Tax-loss carryforwards and deductions yet to be applied by the Company may be offset in coming successive years up to the time they become statute barred in 15 years following 2014. At December 31, 2016, the tax group of Gamesa Corporación Tecnológica, S.A. is the dominant Company has outstanding bases to compensate for that has not been recorded by amount of €62,249 thousands (€57,927 thousands in 2015).

Likewise, as of 31 December 2016, GAMESA has has tax credits amounting €4,386 thousands yet to be applied that were generated before entering into the tax consolidation special system (€4,386 thousands euros in the year 2015). To the extent that these items concern tax credits generated before entering onto the tax consolidation system, they are only be applied against individual future tax bases generated by GAMESA. Given its activities, and in accordance with the prudence principle, GAMESA has not capitalised the tax effect of these tax credits, which will be recognised as a reduction in corporate income tax expense in the years in which they are effectively applied.

Due to its position as the parent of the tax group, GAMESA records the capitalised deductions pending application on December 31, 2016 under the heading "Deductions capitalised by the tax group". These items were generated by the companies in its tax group this year and in prior years and they have been capitalised and are recognised in accounts payable to those companies (Note 19). At December 31, 2016 GAMESA has unrecognised tax credits amounting €100,359 thousands (€96,058 thousands to 31 December 2015).

As a result of the corporate income tax expense estimates made by members of the tax group and the deductions and tax credits recognised, GAMESA, as the parent of the tax group, has recorded a reduction in the existing account payable to group companies by €5,608 thousands in 2016 (the existing payable account with the companies of the Group decreased in an amount of €13,325 thousands in fiscal year 2015).

16.6 Years open to inspection and tax audit action

As established by current legislation, taxes cannot be considered to be definitive until the relevant returns have been inspected by the tax authorities or four years have elapsed since filing. At 2016 year-end, in Spain the Group had all years since 2012 open for review for corporate income tax and all years since 2013 for the other taxes to which it is liable, The Company's Directors consider that all tax returns have been properly prepared and therefore should there be any dispute regarding the interpretation of the current legislation with respect to the tax treatment of operations, any liabilities that may arise will not significantly affect the accompanying Annual Accounts.

17. GUARANTEES TO THIRD PARTIES

On December 19, 2008, Gamesa Eólica, S.L. (Single-Shareholder Company) (an indirectly wholly-owned investee of Gamesa Corporación Tecnológica, S.A.- Note 19) entered into a financing agreement with the European Investment Bank for a maximum of €200 million, divided into two parts, €140 million and €60 million, respectively. Gamesa Corporación Tecnológica, S.A., together with other GAMESA Group companies directly or indirectly wholly owned by the Company, are joint and several guarantors on first demand to the European Investment Bank with respect to the repayment of the principal, interest, commissions, expenses or any other items, in the event that Gamesa Eólica, S.L. (Sole-Shareholder Company) is unable to make the related repayments. This loan is fully disposed by Gamesa Eólica, S.L at December 31, 2016. On March 31, 2015, Gamesa Eólica, S.L. Unipersonal amortised in advance 40 million of this credit, maintaining disposed at December 31, 2016 the remaining amount of the loan amounting 160 million euros.

On November 29, 2012, Gamesa Eólica, S.L.U, (Sole-Shareholder Company) (indirectly investee company at 100% of Gamesa Corporación Tecnológica, S.A. – Note 19) obtained a €260 million loan from the European Investment Bank to finance innovation, research and development projects relating to the processes of improving existing wind turbines, and the development of new products, The conditions of the new loan establish its maturity date in 2019 and it accrues an interest rate referenced to the euribor rate plus a market spread. This loan is completely disposed by Gamesa Eólica, S.L. (Sole-Shareholder Company) at 2016 and 2015 year-end.

During 2016 and 2015 the Company provided guarantees for obtaining lines of credit and surely by its US subsidiary Gamesa Technology Corporation Inc. amounting a maximum of the equivalent of €175 million and €129 million, respectively; to its Brazilian subsidiary Gamesa Eólica Brasil for an amount equivalent to €278 million and €64 million, respectively; to Gamesa Eólica, S.L. for a maximum of €369 million and €328 million respectively; to Gamesa Energía, S.A.U for a maximum of the equivalent of €278 million and €159 million, respectively; to its subsidiary in India, Gamesa Renewable Private Limited (previously Gamesa Wind Turbines, Pvt Ltd), for a maximum of the equivalent of €194 million and €89 million, respectively.

GAMESA believes that no significant liabilities will arise for the Company as a result of these guarantees.

18. OPERATING INCOME AND EXPENSES

18.1 Revenue

The net revenue at December 31, 2016 and 2015 corresponds entirely with operations performed in domestic territory.

Likewise, as of December 29, 2016 the 100% owned subsidiary, Gamesa Energía, S.A.U. approved the distribution of a dividend of €85 million.

18.2 Other operating, accessory and other ordinary revenues

The heading “Other operating income - Accessory and other current revenues” in the accompanying 2016 income statement records €33,431 thousands (€35,508 thousands in 2015) fundamentally relates to services at market value rendered by Company management to other group companies for advisory, assistance and support services rendered to management and other departments, consisting of the monitoring of the business objectives set by the Company (Note 19).

18.3 Other operating expenses

The breakdown of the heading "Other operating expenses" in the income statements for 2016 and 2015 is as follows:

(Thousands of euros)	2016	2015
Leases and royalties (Note 8)	4,380	4,471
Repairs and maintenance	931	816
Independent professional services	10,468	5,622
Transport costs	3	-
Insurance premiums	744	525
Bank commissions	5	3
Advertising, publicity and public relations	1,280	1,032
Utilities	857	1,307
Other services	5,937	5,830
Other taxes	91	79
Total	**24,696**	**19,685**

The increase of “Independent professional services” is due to the fusion with Siemens (Note 21).

18.4 Personnel expenses

The breakdown of the heading "Personnel expenses" in the accompanying income statements for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Wages and salaries	20,595	19,695
Objective-based compensation	7,132	4,939
Incentive Plan (Note 12.4)	(56)	4,051
Termination benefits (Note 4.9)	165	264
Social walfare expenses	3,543	3,341
Other benefit expenses	3,190	2,382
Total	**34,569**	**34,672**

The "Objective based compensation" registers the amount accruing in 2016 and 2015 to Company executives and employees based on the extent to which the objectives set in those years were met.

In the framework of the Group policy to use incentive programs linked to the achievement of strategic medium-and long-term objectives, the Management Board has approved a 2016-17 incentive which are beneficiaries, the President and CEO, managers and key personnel in number of approximately 100 people, linked to achieving an operating result (EBIT) of the period from January 1, 2016, up to the date of effectiveness of the merger to end of the first quarter or beginning of the second quarter of 2017 (Note 21) and that includes a period of permanence for their full payment of two years. Based on this agreement, it has provided in the year 2016 a total of 3.8 million euros (0 in the year 2015) with a credit to the heading "Trade and other payables - Personnel".

The average number of employees and Directors in 2016 and 2015, by professional category and gender, was as follows:

	Avarage number of employees		
	Male	**Female**	**Total**
Year 2016			
Executives	40	6	46
Employees	85	132	217
Total	**125**	**138**	**263**

	Avarage number of employees		
	Male	**Female**	**Total**
Year 2015			
Executives	33	4	37
Employees	82	136	218
Total	**115**	**140**	**255**

During the year 2016 the Company has no staff with a disability equal to or greater than 33% or greater.

At December 31, 2016 the Company had 271 employees (272 employees at December 31, 2015), as follows:

	Number of employees		
	Male	**Female**	**Total**
Year 2016			
Executives	40	6	46
Employees	89	136	225
Total	**129**	**142**	**271**

	Number of employees		
	Male	**Female**	**Total**
Year 2015			
Executives	33	5	38
Employees	87	147	234
Total	**120**	**152**	**272**

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The balances maintained with group companies and related parties at December 31, 2016 and 2015, and operations carried out with them during the years then ended, are summarised below:

	Thousands of euros															
	Current Receivables					Current payables										
Year 2016	**Receivables from other services (Note 10)**	**Short-term receivables to Group Companies (Note 10)**	**Credit interests (Note 10)**	**Dividend receivables (Note 10)**	**Receivable tax from corporate tax (Note 10)**	**VAT payables**	**Payables from corporate tax**	**Suppliers and trade payables**	**Advance payment from clients**	**Short-term loans form Group companies**	**Loan interests**	**Other operating income (Note 18.2)**	**Net revenues (Note 18.1)**	**Financial income**	**Financial expenses**	**Other services**
Group companies and associates																
Gamesa Technology Corporation, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gamesa Energía, S.A. Unipersonal	-	232,110	62,013	128,000	677	-	-	-	-	19,560	-	-	85,000	6,132	-	-
Gamesa Inversiones Energéticas S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gamesa Eólica, S.L. Unipersonal	13,524	100,930	6,869	-	-	-	-	-	-	1,666	-	16,989	-	2,342	-	-
Gamesa Eólica de Brasil, Ltd.	711	-	-	-	-	-	-	-	-		-	1,944	-	-	-	-
Sistemas Energéticos de Tarifa, S.L.U	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-
Gamesa Inversiones Energéticas Renovables, S.A.	-	410	-	-	-	-	-	-	-	1,628	-	-	-	-	-	-
Gamesa Electric S.A.U.	-	360	-	-	-	-	-	-	-	471	-	-	-	-	-	-
Gamesa Wind Tianjin Co Ltd.	7,321	-	-	-	-	-	-	-	-	-	-	1,424	-	-	-	-
Gamesa Innovation & Technology, S.L. Unipersonal	614	-	3	-	-	-	-	-	-	-	-	2,034	-	5	-	-
Gamesa Wind US, LLC	-	-	-	-	-	-	-	-	-	-	-	2,930	-	-	-	-
Gamesa Latam,S.L.	1,848	-	-	-	-	-	-	-	-	-	-	4,614	-	-	-	-
International Wind Farm Developments II, S.L.	-	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International Wind Farm Developments IX, S.L.	-	-	-	-	-	-	-	-	-	140	-	-	-	-	-	-
Gamesa Renewable Private Limited (anteriormente Gamesa Wind Turbines Private)	3,909	-	-	-	-	-	-	-	-	57	-	2,462	-	-	-	-
Gamesa Wind US, LLC	2,235	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gamesa Europa, S.L.	-	-	-	-	-	-	-	-	-	245	-	-	-	-	-	-
Adwen Offshore S.L.	478	-	-	-	-	-	-	-	-	-	-	647	-	-	-	-
Otras sociedades del Grupo GAMESA	198	124	-	-	-	-	-	-	-	317	-	107	-	6	-	-
Total balances and transactions with Group companies	30,838	333,944	68,885	128,000	677	-	-	-	-	24,134	-	33,151	85,000	8,485	-	-

Year 2015	(Thousands of euros)															
	Current Receivables					Current payables										
	Receivables from other services (Note 10)	Short-term receivables to Group Companies (Note 10)	Credit interests (Note 10)	Dividend receivables (Note 10)	Receivable tax from corporate tax (Note 10)	VAT payables	Payables from corporate tax	Suppliers and trade payables	Advance payment from clients	Short-term loans form Group companies	Loan interests	Other operating income (Note 18.2)	Net revenues (Notes 9.1 and 16.2)	Financial income	Financial expenses	Other services
Group companies and associates																
Gamesa Technology Corporation, Inc.	2,001	-	-	-	7,815	-	-	-	-	14,709	-	2,000	-	-	-	1
Gamesa Energía, S.A.U.	-	283,350	57,401	43,000	-	-	-	-	-	3,219	-	1	-	25,296	-	-
Gamesa Inversiones Energéticas Renovables, S.A.	-	293	-	-	1,008	-	-	-	-	1,062	-	-	-	-	-	-
Gamesa Eólica, S.L.U.	199	124,001	4,549	-	-	-	-	-	-	998	-	24,134	-	3,116	-	64
Gamesa Eólica Brasil, Ltd.	7,640	-	-	-	-	-	-	-	-	-	-	2,000	-	-	-	-
Gamesa Wind Tianjin Co Ltd.	15,256	-	-	-	-	-	-	-	-	-	-	1,200	-	-	-	-
Gamesa Innovation & Technology, S.L.U.	14,352	94	-	-	-	-	-	-	-	5	-	2,088	-	-	-	344
Windar Renovables, S.L.	-	-	-	-	-	-	-	-	-	-	-	-	3,006	-	-	-
Cametor, S.L	-	990	-	-	-	-	-	-	-	12,057	1,330	-	-	-	34	-
International Wind Farm Developments II, S.L.	-	252	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International Wind Farm Developments IX, S.L.	-	-	-	-	-	-	-	-	-	93	-	-	-	-	-	-
Gamesa Wind UK Limited	-	-	-	-	-	-	-	-	-	25	-	-	-	-	-	-
Gamesa Venture Capital, S.C.R.	-	7	-	-	-	-	-	-	-	599	32	-	-	-	-	-
Gamesa Renewable Private Limited (anteriormente Gamesa Wind Turbines Private)	2,786	-	-	-	-	-	-	-	-	-	-	2,706	-	-	-	49
Adwen Offshore S.L.	499	-	-	-	-	-	-	-	-	-	-	581	-	-	-	-
Otras sociedades del Grupo GAMESA	61	285	-	-	-	-	-	-	-	120	-	131	-	-	-	-
Total balances and transactions with Group companies	**42,794**	**409,272**	**61,950**	**43,000**	**8,823**	**-**	**-**	**-**	**-**	**32,887**	**1,362**	**34,841**	**3,006**	**28,412**	**34**	**458**

Financing contracts between companies in the GAMESA Group

At December 31, 2016 Gamesa Coporación Tecnológica, S.A. has certain loans concluded with Gamesa Eólica, S.L. Unipersonal amounting €100,930 thousands (€124,001 thousands at December 31, 2015). The amortization will happen once the debt is settled. During 2016 interest amounting €2,342 thousands (€3,116 thousands during 2015) accrued under the heading "Revenue – Interest on loans granted to group companies and associates" in the accompanying income statement for 2016. Those interests will be disbursed once the principal matures.

In addition, Gamesa Corporación Tecnológica, S.A. has concluded at December 31, 2016 various credits with Gamesa Energía S.A. Unipersonal amounting €232,110 thousands (€283,350 thousands in 2015). During 2016 €6,132 thousands of interest (€25,296 thousands in 2015) have been accrued under the heading "Revenue – Interest on loans granted to group companies and associates" in the accompanying profit and loss accounts for the financial year 2016. These contracts stipulate annual maturities of both capital and interests.

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

On June 25, 2007 GAMESA (through its subsidiary Gamesa Eólica, S.L. Unipersonal) concluded a power supply agreement with Windar Renovables, S.L. The conditions for transactions with associates are equivalent to those carried out with independent parties.

Agreements relating to the Wind turbine and Operations and Maintenance segments

Through its subsidiary Gamesa Eólica, S.L. Unipersonal, on December 21, 2011 GAMESA and Iberdrola, S.A. concluded a Framework Agreement relating to the supply and maintenance of wind turbines. Under that Framework Agreement, the GAMESA Group and Iberdrola, S.A. have assumed the following commitments:

- Iberdrola, S.A shall acquire from the GAMESA Group a quota of megawatts equivalent to 50% of the total on-shore wind turbine fleet that Iberdrola, S.A. acquires for its Renewables Business Unit during the term of the Framework Agreement.

  This commitment will be in force between January 1, 2013 and December 31, 2022 or the date on which the number of megawatts acquired by the Iberdrola Group from the GAMESA Group under the Framework Agreement totals 3,800, whichever occurs first.

  The Framework Agreement replaces the previous contract. Nevertheless, the rights and obligations resulting from the Framework Agreement remain in force with respect to supplies prior to the framework agreement, which includes the planning of 502 MW.

- GAMESA and Iberdrola, S.A will closely collaborate with new opportunities relating to the offshore wind business.

- GAMESA and Iberdrola, S.A will collaborate within the area of maintenance services so that Gamesa Eólica, S.L. Unipersonal will become a company of reference with respect to wind farm maintenance throughout Iberdrola's business. In particular, the following agreements have been reached:

  - Establish new areas of study and analysis for the rendering of maintenance services by GAMESA to Iberdrola, particularly the rendering of those services in the United States, the sale and installation of wind turbine reliability improvements or the extension of their useful lives and the conversion and update of wind turbine models.

  - The extension of current maintenance services.

During the years 2015 and 2014, the financial and commercial equipment of GAMESA and Iberdrola laid the foundations for the objective novation of certain terms of the Framework Agreements signed between the two companies and with validity until December 31, 2015 by which GAMESA came to provide maintenance services in various wind farms owned by Iberdrola. This objective novation affects certain technical aspects, scope of the services to be provided and economic aspect in order to suit the prevailing market conditions. It also forecasts the modification of the duration of the services to be provided to GAMESA, extending them until December 31, 2017, with the possibility of being extended for two other annual additional periods.

In the field of these negotiations, the parties formalized in March 2015 a new Framework Agreement that resolved the previous one dated on January 1, 2013 for the G8x and on 1 January 2012 for the G4X and

G5x, incorporate, on the clauses of these, the amendments referred to above and with effect from January 1, 2014 for a total of 4,383 MW.

In addition, in October 2015, GAMESA and Iberdrola have reached an agreement to deploy the product "Energy Thrust", aimed to increase the efficiency of the turbines and therefore their production ratios, for a total of 1,602 MW.

In December 2016, a new amendment was signed to the prior Agreement. It was extended into 612 additional MW for the platform of 2MW. Additionally, 795 extra MW were negotiated for different companies of the Iberdrola Group.

19.1 Compensation and benefits for the Board of Directors and Senior Management

In 2016 the Directors of GAMESA earned fixed and variable salaries, attendance allowances, and other items amounting approximately €5,623 thousands (€4,892 thousands in 2015). The breakdown of the aforementioned amount is as follows:

Thousands of euros	12.31.2016	12.31.2015
Members of the Board of Directors		
Type of remuneration		
Fixed compensation	2,288	2,073
Annual variable compensation	654	522
Long-term variable compensation	1,500	1,260
Attendance allowances	725	527
	5,167	**4,382**
Other benefits	456	510
Total	**5,623**	**4,892**

Within the remuneration to the Board of directors it has been included, as variable long-term remuneration, and under the long-term incentive plan approved by the General Meeting in 2013 whose measurement period ended in December 31, 2015, the amount corresponding to the recognition to the President and CEO of 94,880 shares of the company amounting €1,500 thousands (15.81 per share, according to the stock value at the date of the agreement; none in 2015) that correspond to 50% of the recognised shares by that plan for a total of 189,759 shares (the final number of shares given was 61,672, after taxes); the delivery of the remaining 50% (that equally will have to be adjusted once the withholding tax is applied, according to the stock value at the date of the agreement) is due in 2017 once it is agreed by the Board of Directors. The amount related to the shares that will be given in 2017 will be included in the Notes to the Financial Statements and in the corresponding management report with the same calculation method.

The concept of Other benefits at December 31, 2016 corresponds to (i) the amount of the premiums paid for the coverage of death and disability insurances amounting to €53 thousands (€51 thousands in 2015) and life and savings of the current directors amounting to €350 thousands (€400 thousands in 2015); and (ii) the allocation of the group insurance for executives, directors and other employees by €53 thousands (€59 thousands in 2015).

Within the fees to the Management Board the provision registered by incentive 2016-17 of which beneficiary is the President and Managing Director amounting to €366 thousands (none in 2015), whose remuneration will be effective once the period of time measurement has finished and whose liquidation will be produced a function of the extent of effective compliance of the objectives that they are subject to have not been included (Note 18.4).

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

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

Thousands of euros	2016	2015
Type of director		
Executives	3,428	2,915
External proprietary directors	516	531
External independent directors	1,679	1,446
Other external	-	-
Total	**5,623**	**4,892**

At Decemeber 31, 2016, within the Board of Directors there are 10 men and 2 women (9 men and 3 women at December 31, 2015).

The remuneration (monetary remuneration, in kind, Social Security, etc.), for the Senior Managers, excluding the Board of Directors, (whose remuneration was mentioned above), amount €7,166 thousands in 2016 (€7,666 thousands in 2015). The remuneration paid or pending to be paid to the Senior Managers is as follows:

Thousands of euros	12.31.2016	12.31.2015
Fixed compensation, variable and other short-term compensation	3,628	4,694
Long-term variable compensation	3,538	2,972
Total	**7,166**	**7,666**

Within the remuneration of senior management there is included as a variable compensation in the long term the accrued amount in cash of the long term incentive approved by the General Meeting of 2013, whose measurement period ended December 31, 2015, the value corresponding to senior management of 223,790 shares for a total amount of €3,538 thousands (15.81 euros per share, according to the list value at the settlement date; none euros in 2015; the number of shares effectively delivered to each beneficiary is determined once the corresponding withholding tax is applied) representative of 50 percent of the total recognized shares amounting to 447,580 shares. 50 percent of this amount will be settled within the first 90 days of 2017, once it is approved by the Management Board, (which will need to be adjusted once the corresponding withholding tax is applied, regarding the list value at the date of the corresponding agreement). The amount corresponding to the shares delivered in these periods are included in the annual corporate governance reports corresponding to them, calculated by the same calculation method.

Within the fees to the Senior Management the provision recorded by 2016-17 incentive of which are beneficiaries the members of the Senior Management amounting to €914 thousands (none euros in 2015), whose remuneration will be effective once the period of time measurement has finished and whose liquidation will be produced a function of the extent of effective compliance of the objectives that they are subject to, have not been included (Note 18.4).

In 2016 and 2015 there were no transactions with executives other than those carried out in the ordinary course of the business.

19.2 Information regarding conflicts of interest affecting Directors

At the 2016 year-end the members of the Board of Directors of Gamesa Corporación Tecnológica, S.A. and certain persons related to them as defined in the Spanish Companies Act. held ownership interests in the following companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Company’s purpose. Also, following is a breakdown of the positions held and functions discharged at those companies:

Owner	Investee company	Line of Business	Number of Shares	Functions
Arregui Ciarsolo, Juan Luis	Iberdrola, S.A.	Power & utilities	30,284,584	None
Codes Calatrava, Gerardo	Iberdola, S.A.	Power & utilities	7,684	Director of the Global Legal Services of Regulation and Corporate Affairs of the Iberdrola Group
Villalba Sánchez, Francisco Javier (*)	Iberdrola, S.A.	Power & utilities	-	CEO of the Network Business of the Iberdrola Group
Villalba Sánchez, Francisco Javier (*)	Elektro Electricidade e Serviços, S.A.	Power & utilities	-	President
Villalba Sánchez, Francisco Javier (*)	Iberdrola USA Networks, Inc.	Power & utilities	-	President
Villalba Sánchez, Francisco Javier (*)	Iberdrola Distribución Eléctrica, S.A.	Power & utilities	-	President
Villalba Sánchez, Francisco Javier (*)	Scottish Power Energy Networks Holdings Ltd.	Power & utilities	-	President
Rubio Reinoso, Sonsoles	Iberdrola, S.A.	Power & utilities	39,935	Director of compliance at Iberdrola, S.A
Góngora Bachiller, Gema(**)	Iberdrola, S.A.	Power & utilities	4,284	Director of Development and Executive Management at Iberdrola, S.A

(*) On February 1, 2016, Mr. Francisco Javier Sánchez Villalba left his position as CEO of the Network Business of the Iberdrola Group and he also left his positions in the Board of Directors of the rest of the companies mentioned above.

(**) On September 14, 2016, Ms. Gema Góngora Bachiller left his position as member of the Board of Directors.

The members of the Board of Directors were affected by the following conflicts of interest in 2016:

· Villalba Sánchez, Francisco Javier. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, November 10, and December 20, 2016.

· Góngora Bachiller, Gema. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, 2016.

· Codes Calatrava, Gerardo. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on November 10 and December 16, as well as, the meetings of the Audit and Compliance Committee held on November 10 and December 20, 2016.

· Rubio Reinoso, Sonsoles. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, November 10, December 20, as well as, the meetings of the Audit and Compliance Committee held on July 5, November 4, November 10 and December 15, 2016.

· Hernández García, Gloria. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Bankinter and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meeting held on November 10, 2016 when it was deliberated and adopted an agreement related with the syndicated loan of the GAMESA Group.

Finally, the Chairman and CEO and some of the members of the executive team at GAMESA have contractual agreements to receive financial compensation in the event of termination for reasons attributable to the Company and, in some cases, due to the occurrence of objective circumstances, such as a change in control. The financial compensation agreed for such termination consists, in general, of the payment of compensation up to a maximum of two years' salary, depending on personal and professional circumstances and the time at which the agreement was concluded.

20. OTHER INFORMATION

20.1 Fees paid to auditors

In 2016 and 2015 the fees for the financial audit and other services provided by the auditor of the Group's Consolidated Financial Statements, and the fees billed by the auditors of the separate Financial Statements of the consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

(Thousands of euros)	Services rendered by EY	Services provided by other audit firms
Year 2016		
Audit services	1,506	14
Other attest services	119	-
Total audit and related services	**1,625**	**14**
Tax counselling services	101	-
Other services	44	-
Total other services	**145**	**-**
Total professional services	**1,770**	**14**

(Thousands of euros)	Services rendered by EY	Services provided by other audit firms
Year 2015		
Audit services	1,177	20
Other attest services	143	-
Total audit and related services	**1,320**	**20**
Tax counselling services	147	-
Other services	66	-
Total other services	**213**	**-**
Total professional services	**1,533**	**20**

Of the amount relating to the services rendered by the main auditor, €502 thousands relate to audit services provided to Gamesa Corporación Tecnológica, S.A. (€378 thousands in 2015). Likewise, taking into account the corresponding amount related to other services provided by the principal auditor, €26 thousands correspond to Gamesa Corporación Tecnológica, S.A. (€66 thousands in 2015).

20.2 Information regarding the deferral of payments made to suppliers. Third additional provision. "Information duty" of Law 15/2010 of July 5

The information related with the deferral of payments made to suppliers is as follows:

	2016	2015
	Days	Days
Average payment period	45	61
Settled operations ratio	46	62
Pending operations ratio	39	41
	Amount (thousands of euros)	**Amount (thousands of euros)**
Total settled payments	27,634	30,288
Total pending payments	2,142	1,298

21. MERGER AGREEMENT WITH SIEMENS

On June 17, 2016, Gamesa Corporación Tecnológica, S.A. ("GAMESA or the "Company") and Siemens Aktiengesellschaft ("Siemens") have signed a merger agreement by which the Company´s business and Siemens´ wind business will be integrated by a merger through the absorption of a Siemens´ Spanish subsidiary (as the acquired company) by GAMESA (as the acquiring company). Siemens will receive, according to the exchange equation, GAMESA´s shares representing 59% of the capital once the merger is effective, while GAMESA´s actual shareholders will own shares representing the remaining 41%. The common merger project was approved by GAMESA´s Management Board and the sole administrator of Siemens Wind HoldCo on June 27, 2016.

In addition, as part of the merger, Siemens will make a cash contribution so that GAMESA can distribute €3.75 per share to its shareholders (that are not Siemens) once the merger is concluded (amount that will be reduced by the value of the ordinary dividends GAMESA had distributed between the merger signing date and the effective merger date). GAMESA paid a dividend of €0.15 per share in July 2016 that will be deducted from the extraordinary dividend.

As a consequence of the merger, GAMESA (as a combined Company) will have its registered office and general operations centre in Spain; and will continue trading in Spain. The operation centre of the onshore business will be stablished in Spain, while the offshore business centre will be in Hamburg (Germany) and Vejle (Denmark). The custody of the merging process until the completion of the merger (which will be effective once the deed of merger is registered in the Mercantile Registry) has been entrusted by GAMESA to one Independent Commission created for this purpose, which is exclusively formed by independent directors.

In this respect, Siemens and Iberdrola, S.A. and Iberdrola Participaciones, S.A. (Single/member company) (jointly, "Iberdrola") have signed an agreement whereby (i) Iberdrola is committed to support and vote in favor of the merger, and (ii) the rights and obligations of Siemens and Iberdrola from the date the contract is signed onwards are regulated.

The merger was subject to the approval of GAMESA's shareholders and other typical suspensive conditions, as the authorization of the competition agencies and the obtaining of the CNMW's exemption stablished in the article 8 g) of the Royal Decree 1066/2007, from the 27 of July, not to formulate a takeover bid after the completion of the merger.

At the preparation date, most of the suspensive conditions have been resolved, including:

- The granting to Siemens by the CNMV, on the 7 of December of 2016, of the exemption of the obligation of formulate a mandatory public offer of acquisition on all the actions in circulation of Gamesa after the completion of the merger.
- The approval of the merger and the extraordinary dividend in the same General Meeting of Shareholders of Gamesa that took place on the 25 of October 2016.

Also, the prior authorizations have been obtained, express or tacit, that are required by the competition authorities, leaving the approval of the European Union' competition authorities outstanding. The operation completion is expected by the end of the first trimester of 2017 or the beginning of the second trimester of 2017.

22. POST BALANCE SHEET EVENTS

On January 5, 2017 Areva Energies Renouvelables SAS, has transmitted to the GAMESA Group (Gamesa Energía, S.A. Unipersonal) 50% of Adwen Offshore, S.L.'s capital, reaching 100% of the capital of this Company. This transaction is derived from the year on September 14, 2016 of the sale option granted on June 17, 2016.

The mentioned agreement of June 2016 between the GAMESA Group and Areva eliminated, from the signature date, the existing contractual restrictions regarding the constitution of the Joint Venture (Adwen) and which was fundamentally based on the exclusivity for the development of the Offshore Wind Business, enabling the merger between GAMESA and the Siemens Wind Business.

Regarding the stablished terms in the aforementioned sale option executed by Areva, GAMESA has paid the 50% of the company´s shares amounting to €60 million and has assumed in this context, an estimated amount of approximately €137 million of liabilities, corresponding mainly to the assumption of one part (1/3 on a general basis) of the eventual losses associated to technical guarantees of the offshore operating wind turbines initially covered almost totally by Areva. The amount of these guarantees has been estimated based on the best technical and economic information available. However, events that could occur in the future or the access to the knowledge of new information not available at the moment, could oblige to modify (upwards or downwards) these estimations in the future.

At year end, the sale option's valuation executed by Areva has been determined fundamentally with reference to the market value of 50% of Adwen, including a premium due to the elimination of the exclusivity right, in the context of the merger operation between GAMESA and Siemens. In this sense, the compensation derived from the execution of the option does not exceed the value attributed to Adwen in the context of the merger operation. In addition, the future modifications of the estimations of the assumed guarantees that reasonably could occur, would be covered by Adwen in the context of the merger operation.

The terms of this transaction have been endorsed by Siemens and taken into account in the regulatory agreement of the potential wind business merger, where the prohibition of carrying out certain actions on some relevant assets by GAMESA without Siemens´ express approval, such as corporate operations (for example, capital increases or decreases derived from structural modifications, statutory modifications, indebtedness increase, grant of guaranteed to third parties, commercial offers higher than the determined threshold or with special risks,…). In the particular case of Adwen, the obligation of raising its agreement is reinforced in the sale option and compensation agreements with Siemens referred below, where, in addition to the previous requirements, GAMESA must request its approval in relation to the modifications in the contracts with some specific clients that, essentially, are important business aspects. Therefore, material decisions about Adwen's relevant activities cannot be taken unilaterally by GAMESA. Thus, GAMESA does not execute the power it has received in its capacity as sole shareholder, not existing a 'control' over Adwen in accounting terms, even though GAMESA will maintain its position of 'significant influence'. Taking into account these considerations, and in order to adequately reflect the economical background of the transaction, Adwen's participation will continue being consolidated by the equity method, with the imputation of the total earnings generated.

As a consequence of these agreements, the exchange equation communicated, will not be modified and no cash/debt impacts are expected to be derived from the effectiveness of the merger in relation to the working capital/net debt adjustment mechanisms at December 31, 2016.

Finally, the agreements signed between GAMESA and Siemens regulate the scenarios where, if the merger is not completed, certain rights and obligations assumed by GAMESA as a consequence of the sale will also be assigned to Siemens, through cross/linked options.

23. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These Financial Statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company may not conform to generally accepted accounting principles.

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
Gamesa Lanka Private Limited	Manufacturing and holding company	EY	Sri Lanka	100%	39	165	37
Gamesa Renewable Private Limited	Wind-powered facilities	EY	India	100%	207,781	32,120	93,478
RSR Power Private Limited	Manufacturing and holding company	-	India	100%	2	(208)	207
GM Navarra Wind Energy Private Limited	Manufacturing and holding company	-	India	100%	153	146	(15)
Kintech Santalpur Windpark Private Limited	Manufacturing and holding company	-	India	100%	77	(271)	111
Kurnool Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%	1	(1)	-
Kadapa Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%	1	(1)	-
Anantapur Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%	1	(1)	-
Rajgarh Windpark Private Limited	Manufacturing and holding company	-	India	100%	2	(2)	-
Gamesa Wind US, LLC	Maintenance services of wind farms	EY	United States	100%	88	(420,137)	35,055
Gamesa Wind, PA, LLC	Manufacture and assembly of wind	EY	United States	100%	81	333,981	146
Gamesa Technology Corporation, Inc	Maintenance services of wind farms	EY	United States	100%	24,942	419,972	5,129
Gamesa Canada ULC	Manufacturing and holding company	-	Canada	100%	-	(147)	(48)
Cedar Cap Wind, LLC	Operation of wind farms	-	United States	100%	-	-	-
Mahantango Wind, LLC	Operation of wind farms	-	United States	100%	-	-	-
Diversified Energy Transmission, LLC	Operation of wind farms	-	United States	100%	1,461	(27,908)	(4)
Crescent Ridge II, LLC	Operation of wind farms	-	United States	100%	-	-	-
Pocahontas Wind, LLC	Operation of wind farms	-	United States	100%	-	(72,699)	(8,596)
Navitas Energy, Inc.	Development of wind farms	-	United States	97%	252	(13,954)	(140)
Whitehall Wind	Operation of wind farms	-	United States	97%	-	-	-
Baileyville Wind Farm, LLC	Operation of wind farms	-	United States	97%	-	-	-
Gamesa (Beijing) Wind Energy System Development Co Ltd.	Manufacture of wind components	EY	China	100%	200	(4,842)	1,025
Sistemas Energéticos de Tarifa, S.L. Unipersonal	Operation of wind farms	-	Bizkaia	100%	61	515	(68)
Sistemas Energéticos Jaralón, S.A. Unipersonal	Operation of wind farms	-	Bizkaia	100%	61	1,097	23
Sistemas Energéticos Argañoso, S.L. Unipersonal	Operation of wind farms	-	Bizkaia	100%	61	(27)	-
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Operation of wind farms	-	Bizkaia	100%	61	(17)	-
Sistemas Energéticos Carril, S.L.Unipersonal	Operation of wind farms	-	Bizkaia	100%	61	(5)	-
International Wind Farm Development IV S.L.	Development of wind farms	-	Bizkaia	100%	3	(1)	(2)
International Wind Farm Development V S.L.	Development of wind farms	-	Bizkaia	100%	3	(1)	-
International Wind Farm Development VI S.L.	Development of wind farms	-	Bizkaia	100%	3	(1)	-
International Wind Farm Development VII S.L.	Development of wind farms	-	Bizkaia	100%	3	(1)	-
International Wind Farm Developments II, S.L.	Development of wind farms	-	Bizkaia	100%	3	291	722

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
Sistemas Energérticos Tablero Tabordo	Development of wind farms	-	Bizkaia	100%	3	42	7
International Wind Farm Developments IX, S.L.	Development of wind farms	-	Bizkaia	100%	3	597	(61)
Gamesa Wind Tianjin Co Ltd.	Manufacture of wind components	EY	China	100%	8,198	88,036	30,032
Gamesa Trading Co., Ltd.	Raw material trader	EY	China	100%	49	(162)	-
Jilin Gamesa Wind Co., Ltd.	Manufacturing and holding company	EY	China	100%	1,630	(7,264)	(124)
Inner Mongolia Gamesa Wind Co.,Ltda.	Manufacturing and holding company	EY	China	100%	1,651	(6,603)	(731)
Gamesa Blade Tianjin Co Ltd.	Design, manufacture and assembly of	EY	China	100%	12,000	8,523	6
Gamesa Japan Kabushiki Kaisha	Manufacturing and holding company	-	Japan	100%	4,308	(4,651)	1,024
Gamesa Apac, S.L.U.	Manufacturing and holding company	EY	Spain	100%	3	-	94
Gamesa Singapore Private Limited	Manufacturing and holding company	EY	Singapore	100%	-	(4,643)	(65)
Gamesa New Zeland Limited	Manufacturing and holding company	-	New Zealand	100%	-	445	82
Gamesa Australia PTY, LTD	Manufacturing and holding company	-	Australia	100%	-	(1,856)	(218)
Gamesa Thailand Co., Ltd	Manufacturing and holding company	-	Thailand	100%	2,833	129	(116)
ADWEN GmbH	Offshore business	EY	Germany	50%	6,052	(46,331)	(27,435)
ADWEN BLADES GmbH	Offshore business	EY	Germany	50%	1,000	10,490	(3,200)
ADWEN Offshore SL	Offshore business	EY	Spain	50%	50,003	139,861	(12,862)
SSEE Arinaga, SA	Offshore business	-	Spain	50%	61	7,181	(541)
ADWEN UK Ltd.	Offshore business	EY	Unted Kingdom	50%	689	(1,998)	(120)
ADWEN France	Offshore business	EY	France	50%	1,254	34,050	(4,401)
Apoyos Metálicos, S.A.	Manufacturing and holding company	pwc	Navarra	32%	841	7,115	(340)
Tadarsa Eólica	Manufacturing and holding company	pwc	Asturias	32%	2,303	12,159	441
Windar Renewable Energy Private Ltd.	Manufacturing and holding company	pwc	India	32%	11,720	6,589	9,678
Windar Wind Services S.L. Unipersonal	Manufacturing and holding company	pwc	Asturias	32%	3	1,599	1,397
Torres Eólicas Do Brasil Ltda	Manufacturing and holding company	pwc	Brazil	32%	7,537	(2,935)	(937)
Windar Logistic, S.L.	Manufacturing and holding company	pwc	Jaén	32%	3	(557)	(83)
Windar Offshore, S.L	Manufacturing and holding company	pwc	Asturias	32%	3	(126)	151
Windar Towers & Services LLC	Manufacturing and holding company	pwc	United States	32%	91	6	45
Windarmex S.A. de C.V.	Manufacturing and holding company	pwc	Mexico	32%	538	11	(20)
AEMSA Santana	Manufacturing and holding company	pwc	Jaén	32%	3,061	(2,103)	201
Windar Renovables, S.L.	Manufacturing and holding company	pwc	Asturias	32%	9	48,979	9,387
Gamesa Innovation & Technology, S.L. Unipersonal	Manufacture of moulds, blades and provision of central services (engineering)	EY	Navarra	100%	4,355	541,297	69,966
Gamesa Financiación S.A.-Unipersonal-	Promotion of companies	-	Spain	100%	60	-	(1)

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
Nuevas Estrategias de Mantenimiento S.L.	Design, manufacturing, development and commercialization of technological solutions and engineering	Deloitte	Gipuzkoa	100%	570	3,008	678
Gamesa Eólica Brasil, Ltd.	Manufacturing and holding company	EY	Brazil	100%	126,480	(19,025)	24,251
Gesa Eólica Mexico, SA de CV	Manufacturing and holding company	EY	Mexico	100%	3	47,614	6,478
Servicios Eólicos Globales, SRL de CV	Manufacturing and holding company	-	Mexico	100%	3	182	39
Gamesa Energía S.R.L.de CV	Development of wind farms	-	Mexico	100%	11,526	(6,569)	(1,874)
Gesacisa Desarrolladora SA de CV	Operation of wind farms	EY	Mexico	100%	6	3,091	224
Central Eolica de México I, S.A. de C.V.	Operation of wind farms	-	Mexico	100%	7	(552)	249
Energía Eólica de México	Operation of wind farms	-	Mexico	50%	432	(420)	-
Energía Renovable del Istmo	Operation of wind farms	-	Mexico	50%	-	(3)	(2)
Gamesa Latam S.L	Manufacturing and holding company	EY	Spain	100%	3	(1,070)	51,045
Gamesa Eólica Costa Rica, S.R.L.	Manufacturing and holding company	-	Costa Rica	100%	8,651	(4,944)	(1,799)
Gesa Eólica Honduras, S.A.	Manufacturing and holding company	-	Honduras	100%	5,764	(473)	(3,391)
Gamesa Eólica VE, C.A.	Manufacturing and holding company	-	Venezuela	100%	18	(29)	(27)
Gamesa Chile SpA	Manufacturing and holding company	-	Chile	100%	8	289	3,934
Gamesa Dominicana, S.A.S.	Manufacturing and holding company	EY	Dominican Republic	100%	7,619	(2,206)	(480)
Gamesa Puerto Rico CRL	Wind-powered facilities	-	Puerto Rico	100%	1	8	(16)
Gamesa Eólica Nicaragua, S.A.	Wind-powered facilities	-	Nicaragua	100%	1,363	(126)	(82)
Gamesa Uruguay S.R.L.	Wind-powered facilities	-	Uruguay	100%	1	2,358	1,346
Parques Eólicos del Caribe, S.A.	Development of wind farms	pwc	Dominican Republic	57%	1,184	(3,752)	20
Gamesa Inversiones Energéticas Renovables SA	Development of wind farms	EY	Bizkaia	100%	1,200	19	(7,770)
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%	61	(6)	-
Sistemas Energéticos Sierra de las Estancias S.A.Unipersonal	Operation of wind farms	-	Sevilla	100%	61	(105)	(10,114)
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%	61	3,370	(1,285)
Windfarm Ganderkesee-Lemwerder GmbH	Operation of wind farms	-	Germany	100%	25	(158)	(1)
Windfarm 40 Gmbh	Operation of wind farms	-	Germany	100%	25	(4)	(1)
Windfarm 41 Gmbh	Operation of wind farms	-	Germany	100%	25	(4)	(1)
S.E. Balazote, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%	61	2,607	39
S.E. Cabezo Negro, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%	61	(588)	430
Windfarm 35 Gmbh	Operation of wind farms	-	Germany	100%	25	4	1
Energiaki Arvanikos, EPE	Operation of wind farms	-	Greece	100%	5	(215)	(97)

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
Sistemas Energéticos Boyal, S.L.	Operation of wind farms	-	Zaragoza	60%	3	(1,175)	(1,242)
Sistemas Energéticos el Valle, S.L.	Operation of wind farms	-	Navarra	100%	3	(3)	-
Sistemas Energéticos La Cámara, S.L.	Operation of wind farms	-	Sevilla	100%	3	1,468	387
Sistemas Energéticos Finca de San Juan, S.L.	Operation of wind farms	-	Zaragoza	100%	3	(7)	-
Windkraft Trinnwillershagen Entwicklungsgesellschaft, GmbH	Development of wind farms	-	Germany	50%	51	740	(12)
EBV Holding Verwaltung GMBH	Development of wind farms	-	Germany	100%	25	18	-
Gamesa Energie Deutschland, GmbH	Development of wind farms	EY	Germany	100%	575	(6,140)	(1,142)
Gamesa Energía Polska Sp. Zoo	Wind-powered facilities	-	Poland	100%	16,595	25,006	4,087
Sistems Electrics Espluga S.A.	Operation of wind farms	-	Barcelona	50%	61	(423)	(86)
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Operation of wind farms	-	Granada	83%	45	(7)	-
Gamesa Energía, S.A.Unipersonal	Development of wind farms	EY	Bizkaia	100%	35,491	37,637	(10,525)
GERR, Grupo Energético XXI, S.A Unipersonal	Development of wind farms	-	Barcelona	100%	1,605	(7,299)	(1,196)
Gamesa Energía Italia, S.P.A.	Development of wind farms	EY	Italy	100%	570	366	1,566
Eólica Da Cadeira, S.A.	Development of wind farms	-	A Coruña	65%	60	(61)	-
Gamesa Energiaki Hellas, A.E.	Development of wind farms	EY	Greece	100%	837	544	(570)
Gamesa Energie France, E.U.R.L.	Development of wind farms	EY	France	100%	60	(4,726)	(1,301)
Energías Renovables San Adrián de Juarros, S.A.	Development of wind farms	-	Burgos	45%	60	(4)	(8)
Gamesa Energy UK, Ltd.	Development of wind farms	EY	Unted Kingdom	100%	14,361	(15,342)	1,534
Gamesa Energy Romania, Srl	Development of wind farms	-	Romania	99%	-	(9,300)	(2,391)
Sistemas Energéticos del Sur, S.A.	Operation of wind farms	-	Sevilla	70%	600	(465)	(7)
Gamesa Europa, S.L.	Development of wind farms	-	Galicia	100%	3	875	(314)
Sistemas Energéticos La Plana, S.A.	Operation of wind farms	Attest	Zaragoza	90%	421	1,999	(112)
Sistemas Energéticos Barandón, S.A.	Operation of wind farms	-	Valladolid	100%	61	(14)	-
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%	61	(71)	(6)
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%	61	(660)	(11)
SAS SEPE St. Loup de Saintonge	Operation of wind farms	-	France	100%	4	12	(1)
SAS SEPE Source de Sèves	Operation of wind farms	-	France	100%	4	-	(1)
SAS SEPE Dampierre Prudemanche	Operation of wind farms	EY	France	100%	37	(198)	(2)
SAS SEPE Germainville	Operation of wind farms	EY	France	100%	37	(46)	(8)
SAS SEPE Cote du Cerisat	Operation of wind farms	EY	France	100%	4	(81)	(5)
Eoliki Peloponisou Lakka Energiaki A.E.	Operation of wind farms	EY	Greece	86%	59	(69)	(5)

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
Eoliki Attikis Kounus Energiaki A.E.	Operation of wind farms	EY	Greece	86%	59	(68)	(4)
Windfarm Ringstedt II, GmbH	Operation of wind farms	-	Germany	100%	4,670	(4,875)	(24)
Windfarm Gross Hasslow GmbH	Operation of wind farms	-	Germany	100%	4,215	(4,451)	(8)
Sistemas Energéticos Fonseca, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%	61	583	(64)
Sistemas Energéticos del Umia, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%	61	(109)	(2)
Sistemas Energéticos Cuntis, S.A.Unipersonal	Operation of wind farms	-	A Coruña	100%	61	(139)	(1)
Sistemas Energéticos Ortegal, S.A.	Operation of wind farms	-	A Coruña	100%	61	(294)	-
Sistemas Energéticos Tomillo, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%	61	(6)	(3)
Sistemas Energéticos Sierra de Lourenza, S.A. Unipersonal	Operation of wind farms	-	Bizkaia	100%	61	202	(25)
Sistemas Energéticos Edreira, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%	61	(39)	(1)
Sistemas Energéticos Campoliva, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%	61	(9)	-
Sistemas Energéticos Alcohujate, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%	61	(487)	(6)
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Operation of wind farms	-	Canarias	100%	61	(44)	(19)
Sistemas Energéticos Alto de Croa, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%	61	(392)	(11)
Sistemas Energéticos Islas Canarias, S.L.	Operation of wind farms	-	Canarias	100%	3	(58)	(9)
Ger Independenta S.R.L.	Electric energy production	-	Romania	100%	-	(18)	(3)
Ger Baneasa S.R.L.	Electric energy production	-	Romania	100%	-	(19)	(3)
Ger Baraganu S.R.L.	Electric energy production	-	Romania	100%	-	(17)	(3)
Osiek Sp. Z o.o.	Operation of wind farms	-	Poland	100%	11	(162)	(53)
Lingbo SPW AB	Electric energy production	EY	Sweden	100%	409	748	(119)
Sistemas Energéticos Mansilla, S.L.	Electric energy production	-	Burgos	78%	6	(41)	(9)
SMARDZEWO Windfarm Sp. z o.o	Operation of wind farms	-	France	100%	1	-	(8)
Fanbyn2 Vindenergi AB	Operation of wind farms	-	Sweden	100%	6	(1)	(1)
Elliniki Eoliki Energiaki Kseropousi SA	Operation of wind farms	-	Greece	86%	108	(8)	(17)
Elliniki Eoliki Energiaki Pirgos SA	Operation of wind farms	-	Greece	86%	176	(14)	(26)
Elliniki Eoliki Energiaki Kopriseza SA	Operation of wind farms	-	Greece	86%	60	(4)	(2)
Elliniki Eoliki Energiaki LIKOURDI SA	Operation of wind farms	-	Greece	86%	60	(3)	(15)
LICHNOWY Windfarm Sp. z o.o.	Operation of wind farms	-	Poland	100%	1	(9)	(11)
UJAZD Sp. z o.o.	Operation of wind farms	-	Poland	100%	1	(8)	(58)
Sellafirth Renewable Energy Park Limited	Operation of wind farms	-	Unted Kingdom	100%	-	-	-

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
Parco Eolico Tuturano S.R.L.	Operation of wind farms	-	Italy	100%	30	(13)	(1)
Parco Eolico Banzi S.r.l.	Operation of wind farms	-	Italy	100%	30	(14)	(1)
Sistemas Energéticos Monte Genaro, S.L. Unipersonal	Operation of wind farms	-	Bizkaia	100%	3	(2)	-
Sistemas Energéticos Sierra del Carazo, S.L. Unipersonal	Operation of wind farms	-	Bizkaia	100%	3	28	(19)
Sistemas Energéticos Sierra de Valdefuentes, S.L.Unipersonal	Operation of wind farms	-	Bizkaia	100%	3	28	(19)
Lindomberget Vindenergi AB	Operation of wind farms	-	France	100%	5	-	-
Watford Gap Renewable Energy Park Ltd.	Operation of wind farms	-	Unted Kingdom	100%	-	-	-
Bargrennan Renewable Energy Park Limited	Operation of wind farms	-	Unted Kingdom	100%	-	-	-
Gamesa Energy Transmisión, S.A. Unipersonal	Manufacture of wind components	EY	Bizkaia	100%	21,660	53,507	8,425
Gamesa Electric S.A. Unipersonal	Manufacture and sale of electronic equipment	EY	Bizkaia	100%	9,395	52,177	7,973
Gamesa Eólica Italia, S.R.L.	Wind-powered facilities	EY	Italy	100%	100	4,244	(229)
Gamesa Wind, GMBH	Wind-powered facilities	EY	Germany	100%	995	(24,203)	331
Gamesa Eolica France SARL	Wind-powered facilities	EY	France	100%	8	6,295	(335)
Gamesa Eolica Greece E.P.E.	Manufacturing and holding company	-	Greece	100%	18	1,533	1,203
Gamesa Wind Hungary KTF	Manufacturing and holding company	-	Hungary	100%	12	6,483	150
Gamesa Wind Romania, SRL	Development of wind farms	EY	Romania	100%	111	23,688	926
Gamesa Morocco, SARL	Wind-powered facilities	-	Morocco	100%	1	213	(70)
Gamesa Energia Portugal	Wind-powered facilities	-	Portugal	100%	475	5,604	293
Gamesa Wing Bulgaria EOOD	Development of wind farms	EY	Bulgaria	100%	143	3,242	466
Gamesa Ireland Limited	Manufacturing and holding company	EY	Ireland	100%	-	(376)	79
Gamesa Wind Energy Services, Ltd	Manufacturing and holding company	-	Turkey	100%	41	1,706	1,443
Gamesa Wind UK Limited	Manufacturing and holding company	EY	Unted Kingdom	100%	17,060	(15,857)	384
Gamesa Wind Sweeden, AB	Manufacturing and holding company	EY	Sweden	100%	2,526	(1,944)	60
Gamesa Cyprus Limited	Manufacturing and holding company	-	Cyprus	100%	1	1,649	(12)
Gamesa Kenya Limited S.L.	Wind-powered facilities	-	Kenya	100%	2	13	(44)
Gamesa Azerbaijan LLC	Manufacturing and holding company	-	Azerbaijan	100%	-	362	(54)
Gamesa Wind South Africa PTY, Ltd	Manufacturing and holding company	-	South Africa	100%	-	(77)	(17)
Gamesa Finland OY	Manufacturing and holding company	-	Finland	100%	3	2,782	27
Gamesa Mauritania SARL	Manufacturing and holding company	-	Mauritania	100%	3	(30)	599
Gamesa Belgium	Wind-powered facilities	EY	Belgium	100%	49	(17)	7
Gamesa Israel LTD.	Wind-powered facilities	EY	Israel	100%	-	610	21

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
Gamesa Mauritius LTD	Wind-powered facilities	EY	Mauritius	100%	3	57	45
B9 ENERGY O&M LIMITED	Wind-powered facilities	EY	Unted Kingdom	100%	1,659	(890)	(812)
Gamesa Eólica, S.L. Unipersonal	Wind-powered facilities	EY	Navarra	100%	201	364,569	23,749
Estructuras Metálicas Singulares, S.A.	Manufacture of wind generator towers	EY	Navarra	100%	61	6,701	87
International Wind Farm Services S.A.U.	Promotion of companies	-	Spain	100%	600	19	(122)
Parque Eólico Dos Picos, S.L. Unipersonal	Operation of wind farms	-	Bizkaia	100%	1,229	(161)	(17)
9Ren España, S.L.	Solar energy	EY	Spain	100%	11,957	(37,947)	(1,220)
Convertidor Solar G.F. Uno, S.L.U.	Solar energy	-	Spain	100%	3	(1)	1
Convertidor Solar G.F. Dos, S.L.U.	Solar energy	-	Spain	100%	3	(2)	1
Aljaraque Solar, S.L.	Solar energy	-	Spain	100%	3	49	1
Convertidor Solar G.F. Tres, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
Convertidor Solar Uno, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
Convertidor Solar Ciento Veintisiete, S.L.U.	Solar energy	-	Spain	100%	3	264	(12)
Convertidor Solar Doscientos Noventa y Siete, S.L.U.	Solar energy	-	Spain	100%	3	(1)	-
Convertidor Solar Doscientos Noventa y Nueve, S.L.U.	Solar energy	-	Spain	100%	3	(1)	-
Convertidor Solar Trescientos, S.L.U.	Solar energy	-	Spain	100%	3	(1)	-
Convertidor Solar Trescientos Diecisiete, S.L.U.	Solar energy	-	Spain	100%	3	48	4
Convertidor Solar Trescientos Dieciocho, S.L.U.	Solar energy	-	Spain	100%	3	17	(2)
Convertidor Solar Trescientos Diecinueve, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
Convertidor Solar Trescientos Veinte, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
Convertidor Solar Trescientos Sesenta y Siete, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
Convertidor Solar Trescientos Setenta, S.L.U.	Solar energy	-	Spain	100%	3	(2)	-
9REN Services Italia, s.r.l.	Solar energy	-	Italy	100%	10	-	(2)
9REN Israel Ltd.	Solar energy	-	Israel	100%	-	163	1
SEPE de la Brie des Etangs	Operation of wind farms	-	France	100%	-	-	-
SEPE de la Tête des Boucs	Operation of wind farms	-	France	100%	-	-	-
SEPE de Chepniers	Operation of wind farms	-	France	100%	-	-	-

Companies	Business Line	Auditor	Location	Shareholding	Capital	Reserves	Net profit for the year
SEPE de Orge et Ornain	Operation of wind farms	-	France	100%	-	-	-
SEPE de Bonboillon	Operation of wind farms	-	France	100%	-	-	-
SEPE de Souvans	Operation of wind farms	-	France	100%	-	-	-
SEPE de Sambourg	Operation of wind farms	-	France	100%	-	-	-
SEPE de Pringy	Operation of wind farms	-	France	100%	-	-	-
SEPE de Soudé	Operation of wind farms	-	France	100%	-	-	-
SEPE de Chaintrix Bierges	Operation of wind farms	-	France	100%	-	-	-
SEPE de Plancy l'Abbaye	Operation of wind farms	-	France	100%	-	-	-
SEPE de Coupetz	Operation of wind farms	-	France	100%	-	-	-
SEPE de Trépot	Operation of wind farms	-	France	100%	-	-	-
SEPE de Bouclans	Operation of wind farms	-	France	100%	-	-	-
SEPE de Savoisy	Operation of wind farms	-	France	100%	-	-	-
SEPE de La Loye	Operation of wind farms	-	France	100%	-	-	-
SEPE de Longueville sur Aube	Operation of wind farms	-	France	100%	-	-	-
SEPE de Sceaux	Operation of wind farms	-	France	100%	-	-	-
SEPE de Guerfand	Operation of wind farms	-	France	100%	-	-	-
SEPE d'Orchamps	Operation of wind farms	-	France	100%	-	-	-
SEPE de Vaudrey	Operation of wind farms	-	France	100%	-	-	-
SEPE de Pouilly-sur-Vingeanne	Operation of wind farms	-	France	100%	-	-	-
SEPE de Mantoche	Operation of wind farms	-	France	100%	-	-	-
SEPE de Vernierfontaine	Operation of wind farms	-	France	100%	-	-	-
SEPE de Broyes	Operation of wind farms	-	France	100%	-	-	-
SEPE de Saint-Lumier en Champagne	Operation of wind farms	-	France	100%	-	-	-
SEPE de Songy	Operation of wind farms	-	France	100%	-	-	-
SEPE de Margny	Operation of wind farms	-	France	100%	-	-	-
SEPE de Saint Bon	Operation of wind farms	-	France	100%	-	-	-
SEPE de Cernon	Operation of wind farms	-	France	100%	-	-	-
SEPE de Champsevraine	Operation of wind farms	-	France	100%	-	-	-
SEPE de Romigny	Operation of wind farms	-	France	100%	-	-	-
SEPE de Sommesous	Operation of wind farms	-	France	100%	-	-	-
SEPE de Clamanges	Operation of wind farms	-	France	100%	-	-	-
SEPE de Saint Amand	Operation of wind farms	-	France	100%	-	-	-
SEPE de Landresse	Operation of wind farms	-	France	100%	-	-	-
SEPE de Mailly-le-Camp	Operation of wind farms	-	France	100%	-	-	-

CARLOS RODRIGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS "GAMESA CORPORACIÓN TECNOLÓGICA, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222 WITH EMPLOYER IDENTIFICATION NUMBER A-01011253.

HEREBY CERTIFY:

That the text of the annual accounts for 2016 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., authorised for issue by the Board of Directors at its meeting held on February 22, 2017, is the content of the preceding 54 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

Ignacio Martín San Vicente Chairman and CEO	Juan Luis Arregui Ciarsolo Deputy Chairman
Carlos Rodríguez-Quiroga Menéndez Secretary of the Board of Directors	José María Vázquez Eguskiza Member of the Board of Directors
Luis Lada Díaz Member of the Board of Directors	José María Aracama Yoldi Member of the Board of Directors
Sonsoles Rubio Reinoso Member of the Board of Directors	José María Aldecoa Sagastasoloa Member of the Board of Directors
Francisco Javier Villalba Sánchez Member of the Board of Directors	Gloria Hernández García Member of the Board of Directors
Andoni Cendoya Aranzamendi Member of the Board of Directors	Gerardo Codes Calatrava Member of the Board of Directors

Zamudio, February 22, 2017. In witness whereof

Approval of the Chairman

Ignacio Martín San Vicente Chairman and CEO	Carlos Rodríguez-Quiroga Menéndez Secretary of the Board of Directors

1. COMPANY'S EVOLUTION DURING THE YEAR

AN EXTRAORDINARY YEAR IN WHICH GAMESA BEATS ITS GUIDANCE AND CONSOLIDATES THE FOUNDATIONS OF ITS LONG-TERM STRATEGY.

Gamesa Corporación Tecnológica[i] ended 2016 with record orders, sales, profitability and cash flow generation, having beaten its guidance for the year — even after upgrading it twice.

Strong commercial activity, the result of a growth-oriented competitive position, resulted in 1,386 MW[ii] of new orders in Q4, 33% more than in the same period of 2015, which raised order intake in the last twelve months to 4,687 MW (+21% y/y). The order backlog stood at 3,552 MW (+11% y/y) at the end of the year. This strong commercial performance provides a high degree of visibility to this year's guidance (c. 5,000 MWe). Gamesa begins 2017 with orders covering 63% of its projected sales[iii], similar to the position at the beginning of 2016.

Revenues increased by 32% in 2016, to €4,612 billion. EBIT amounted to €477 million (+48% y/y), and the EBIT margin was 10.4%, 1.1 percentage points higher than in 2015. Finally, net profit rose by 77% y/y, to €301 million. Recognition of Adwen reduced 2016 net profit by €25 million.

Higher profitability together with focused investment in working capital, which declined by €237 million to -4.9%[iv] of revenues, and in capex, which amounted to €211 million, enabled Gamesa to achieve 30% ROCE and €423 million net free cash flow while maintaining its commitment to a sound balance sheet and ending the year with a net cash position of €682 million.

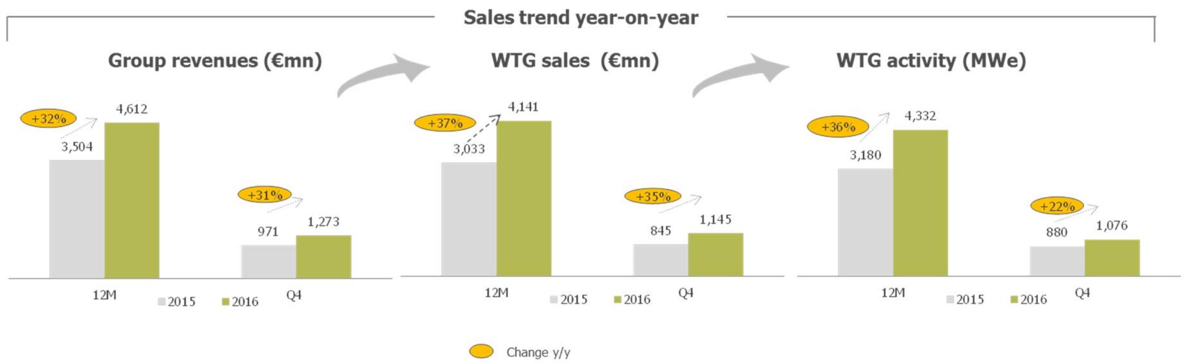
Gamesa is also advancing with its long-term value-creation strategy, having signed an agreement, approved by its shareholders on 25 October, to merge with Siemens Wind Power.

Main consolidated figures for 2016

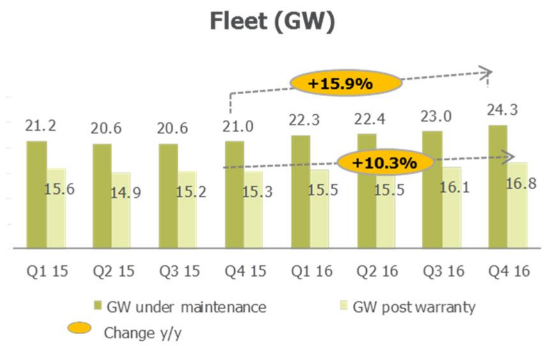
- **Revenues:** €4,612 million (+31.6% y/y)
- **EBIT**: €477 million (+47.9% y/y)
- **Net profit:** €301 million (+77.0% y/y)
- **NFD (Cash)[v]:** -€682 million
- **MWe sold:** 4,332 MWe (+36.2% y/y)
- **Firm order intake:** 4,687 MW[vi] (+20.7% vs. 2015)

Gamesa Corporación Tecnológica ended 2016 with €4,612 million in revenues, 32% more than in 2015, as a result of strong growth in wind turbine manufacturing and sales. At constant exchange rates, revenues increased by 38% y/y to €4,818 million.

Revenues in the Wind Turbine Generator (WTG) division increased by 37% y/y, to €4,141 million, due to growth in volume to 4,332 MWe, 36% more than in 2015. That growth was distributed over practically all regions: Europe/RoW, Latin America, the US and India. APAC (inc. China) was the only exception, due mainly to contraction of the Chinese market, where the pace of installations fell from 30.5 GW in 2015 to 23.3 GW in 2016, according to the latest figures from the Global Wind Energy Council (GWEC)[vii].

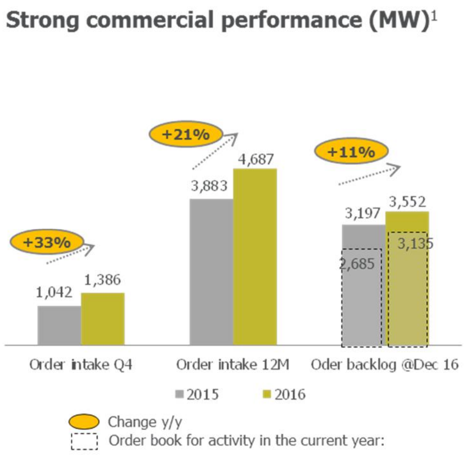


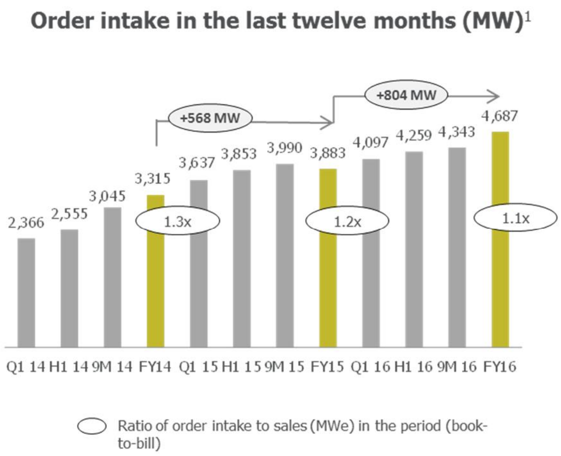
O&M services revenues amounted to €471 million, i.e. stable in year-on-year terms and in line with expectations for 2016**.** The rising trend in the total fleet under maintenance and the post-warranty fleet was confirmed in 2016: +16% (to 24,331 MW) and +10% y/y (to 16,827 MW), respectively. This growth was driven by expansion of the fleet in emerging markets, as envisaged in the business plan 15-17E, and by an improvement in the post-warranty renewal rate.



Growth in sales volume in 2016 was the result of the company's strong competitive positioning and its presence in markets with above-average growth rates. Gamesa's strong competitive position is supported not only by a diversified geographic footprint (55 countries) but also by an extensive customer base, a portfolio of products and services focused on maximising the return on wind assets, and a presence throughout the wind value chain. In a year in which the pace of installations ex-China came down from 32.5 GW in 2015 to 31.3 GW in 2016, according to the Global Wind Energy Council (GWEC)[viii], **Gamesa's strong performance enabled it to increase installations in the year by 27% to 4,262 MW, bringing its total accumulated figure to 38,875 MW by 2016 year-end, and positioning itself in the fourth position of the worldwide[ix] wind ranking according to Bloomberg New Energy Finance.**

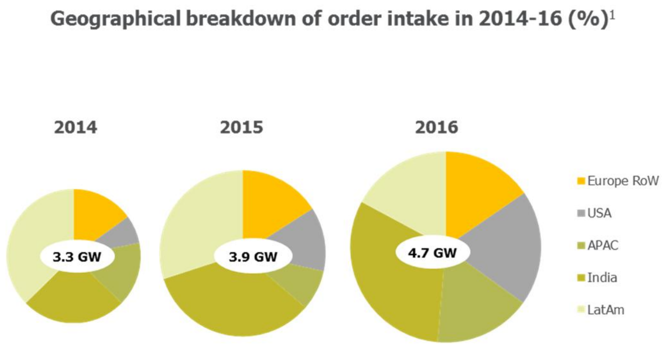
Also as a result of that positioning, the company signed **1,386 MW[x] of orders in the fourth quarter, 33% more than in the same period of 2015** and equivalent to a **book-to-bill ratio[xi] of 1.3**, exceeding the 1.2 ratio achieved in the same period of 2015. **Total order intake amounted to 4,687 MW in 2016,** equivalent to a **book-to-bill ratio of 1.1[xii],** and **the order backlog at 2016 year-end stood at 3,552 MW, 11% more than** at the end of 2015. Strong commercial performance in 2016 enabled Gamesa to commence 2017 with a high degree of visibility with regard to its volume guidance, having attained **63% coverage[xiii] of the volume guided for 2017 (c. 5,000 MWe)**.

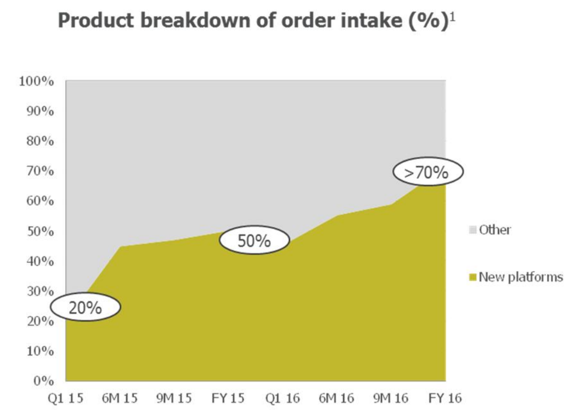




1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years (including 731 MW signed in Q4 16 and announced in Q1 17).

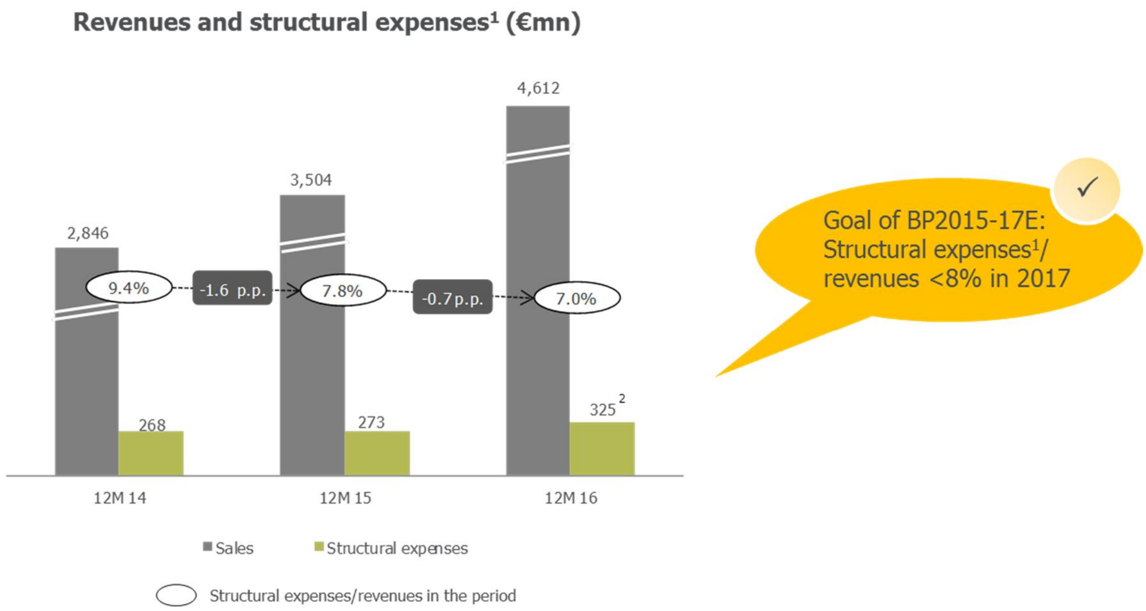
Order intake was very diversified in geographical terms, with a strong contribution from the new generations of products. In geographical terms, Gamesa retains its leading position in developing markets while strengthening its presence in mature markets. While India represents the highest volume orders in 2016, US and APAC, followed by Europe and Mexico lead the growth in new orders. As regards new product penetration, the G114 2.0-2.5 MW and G126 2.5MW platform's contribution rose from 50% of order intake in 2015 to 67% in 2016, and the first order for the G132-3.465 MW machine was signed in the fourth quarter of 2016, with the result that products with rotors larger than 100 metres accounted for over 70% of order intake in the year.





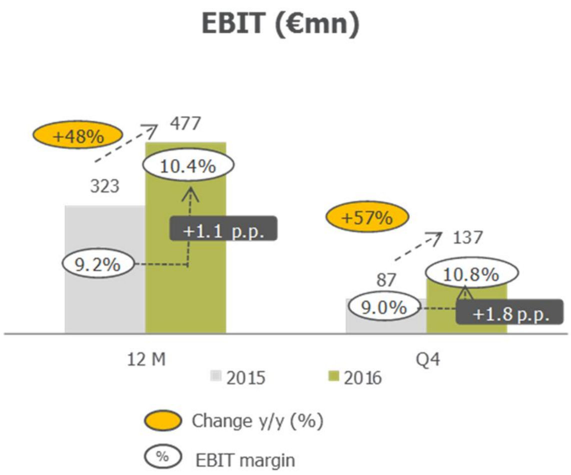
1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years (including 731 MW signed in Q4 16 and announced in Q1 17.

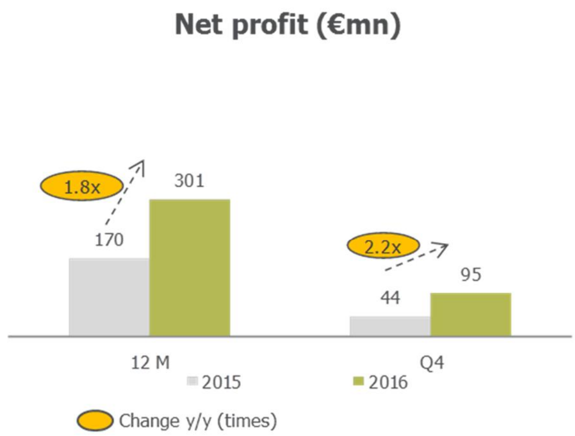
In this context of growing activity, Gamesa remains focused on controlling structural costs so as to maintain a low break-even point. As a result, structural expenses[xiv] amounted to 7% of revenues in 2016, i.e. below the target set in the business plan for 2015-17E, and 0.7 percentage points lower than in 2015. It should be noted that structural expenses increased in 2016 to support the growth planned for 2017.



1. Structural expenses with a cash impact (excluding D&A).
2. Structural expenses excluding €5.3mn in expenses relating solely to the merger.

Control of fixed costs, together with ongoing optimisation of variable costs and quality excellence programmes, enabled Gamesa to offset a lower relative contribution to group revenues from O&M (with returns in excess of the manufacturing business) and steadily increase total operating profitability. Meanwhile, performance by the currencies in which Gamesa operates had a negative but limited impact of 0.1 percentage points, in line with the 2016 guidance (± 0.5 p.p.). **As a result, Gamesa ended 2016 with an EBIT margin of 10.4%**, 1.1 percentage points higher than in 2015, while **EBIT amounted to €477 million 48% more than in 2015.**

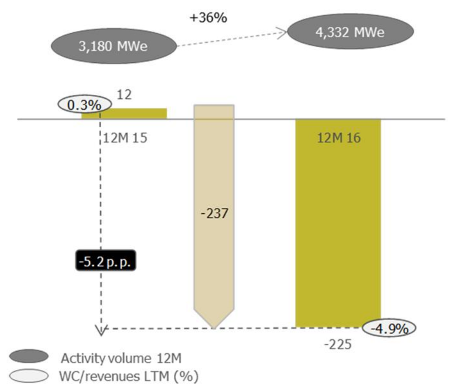




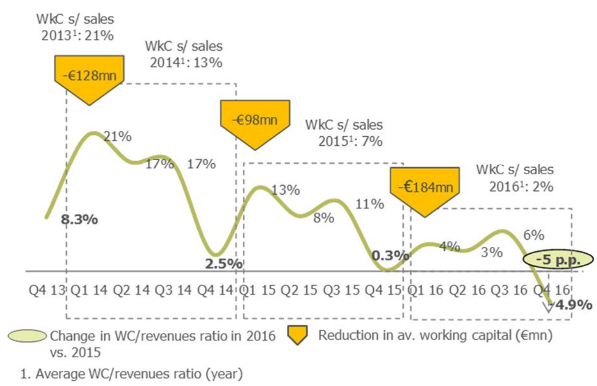
Growth in volume and revenues and rising profitability enabled **Gamesa to increase net profit by 77% in 2016, to €301 million.** Adwen (50% integrated in 2016 by the equity method) has had a negative impact in the amount of €25 million in 2016 and €4 million in 2015[xv].

In this context of strong growth in activity and profitability, **Gamesa continues to exert strict control over working capital, which stood at -€225 million** at 2016 year-end, **equivalent to -4.9% of revenues, i.e. 5 percentage points lower than in 2015.** Average working capital has been reduced by €184 million in the last twelve months, to 1.7% of revenues, vs. 7.5% in 2015.

Reduction in working capital (€mn)



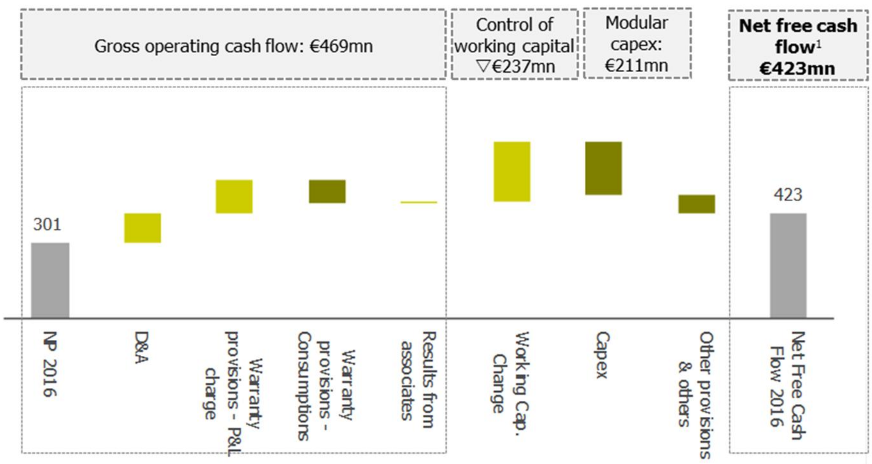
Working capital/revenues 2013-16



Applying a modular capex policy tailored to growth needs**, Gamesa invested €211 million** in 2016, i.e. 4.6%[xvi] of revenues LTM, in line with the guidance for the year (4%-5% of revenues). Investments in the year were focused on new products (blade moulds and construction elements, plus appropriate logistics) in the regions in which Gamesa operates.

This control of capex and working capital in a context of profitable growth enabled **Gamesa to end 2016 with record net free cash flow — €423 million, i.e. 2.3 times the 2015 figure — and a net cash position of €682 million on the balance sheet,** in line with the **company's goal of achieving a sound financial position.**

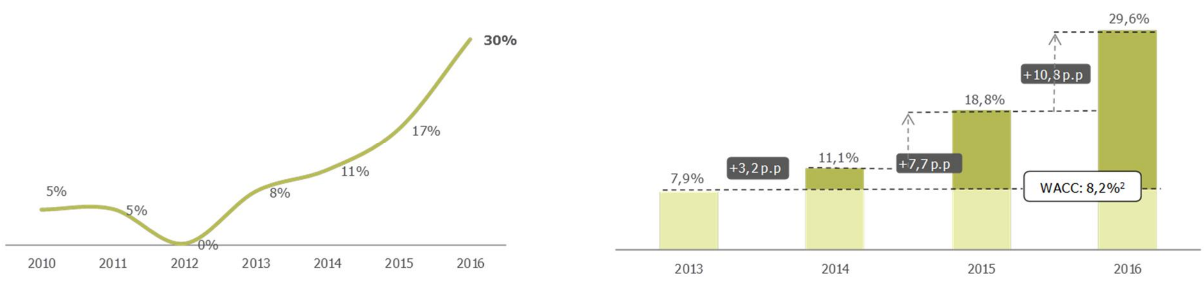
Net free cash flow (€mn)



1. Net cash pre-dividend

The combination of profitable growth and control of capex and working capital enables Gamesa to continue fulfilling its commitment to creating shareholder value, with a **ROCE of 30%**, 11 points more than in 2015.

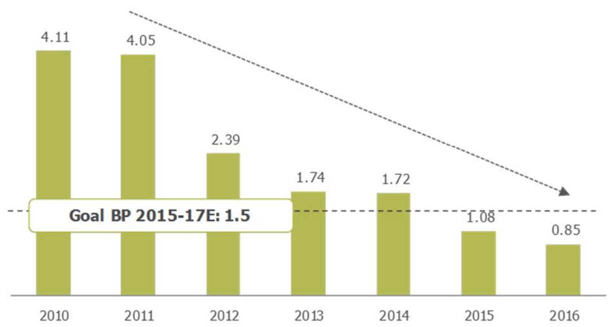
ROCE[1]



1. ROCE: LTM EBIT*(1-t)/average capital employed. Average capital employed is calculated as the arithmetic mean of capital employed between the beginning of the current year and the end of the period."t" is the estimated income tax rate for the current year (28% in 2016). Detailed performance measures' definitions can be found in the appendix of the earnings release.
2. Analysts' average WACC: 8,2%

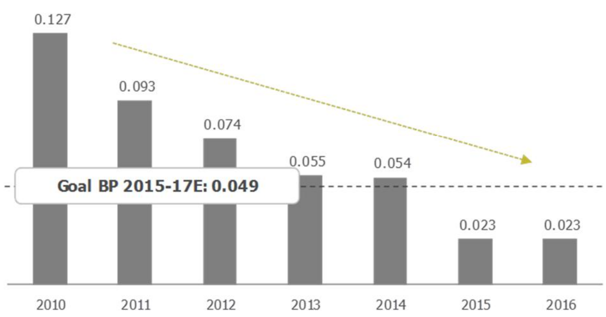
In the context of fulfilling its guidance and steadily improving performance, Gamesa also met its goals in the area of workplace health and safety, continuing to improve accident frequency and severity indices ahead of the goals set for the end of the business plan.

Accident frequency index[1]



[1] Frequency index: No. of accidents with days lost * 10^6/No. of hours worked

Accident severity index[2]



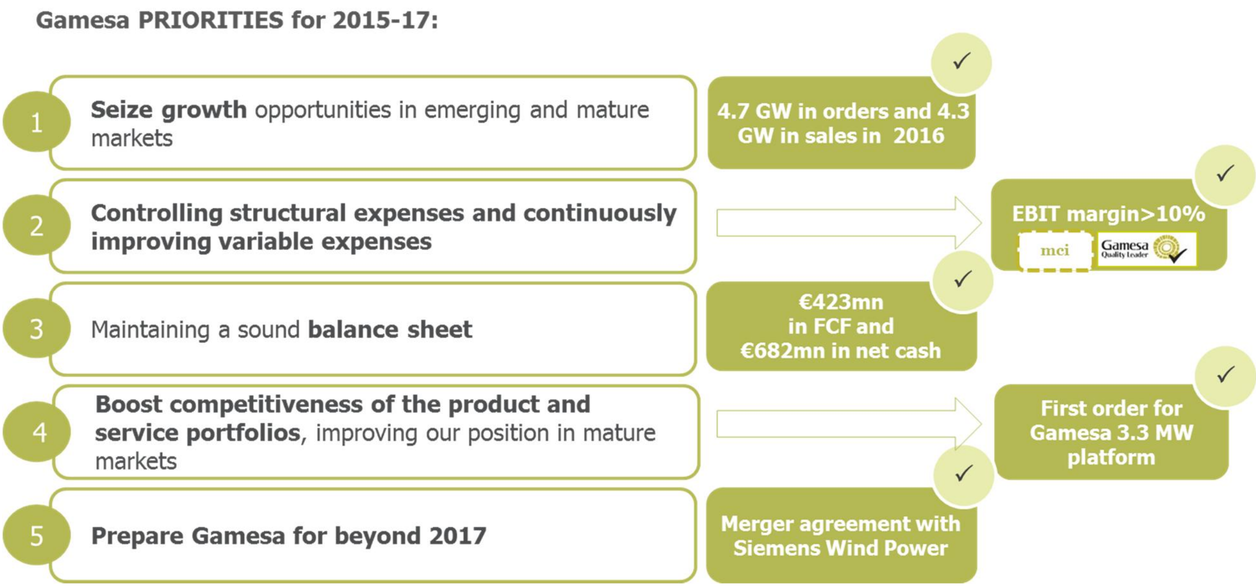
[2] Severity index: No. of days lost * 10^3/No. of hours worked

Accordingly, financial performance in 2016 exceeded the guidance, even after the latter had been upgraded twice during the year.

	Guidance 2016		Upgrade July 2016		Upgrade Nov. 2016	12M 2016	
Volume (MWe)	>3,800	↑	≥4,000	↑	≥4,300	4,332	✓✓
EBIT	> 400	↑	≥430	↑	450-470	477	✓✓
EBIT Margin	≥9.0%	↑	≥9.5%	↑	c.10.0%	10.4%	✓✓
Working cap. o/Sales	≤2.5%		=		=	-4.9%	✓✓
Capex o/ sales	4%-5%		=		=	4.6%	✓
ROCE	Growing y/y		=		=	30%	✓✓

In addition to surpassing its financial goals for the year, **during 2016 Gamesa made clear progress with implementing its long-term (2017+) strategy by reaching an agreement to merge with Siemens Wind Power**. This merger is underpinned by a sound, strategic rationale and will combine **two leading companies that are highly complementary** in terms of markets, businesses, customers, product portfolios and operational and management capabilities. The merged company will be in a position to offer optimal CoE to its customers and to maintain a value creation proposition for its other stakeholders (shareholders, employees, suppliers and the communities where it operates) that is sustainable over the medium and long term. The deal was presented to the financial markets in the second quarter of 2016 and **it was approved by Gamesa's shareholders at an extraordinary General Meeting on** 25 October**, with 99.75% of the capital in attendance voting in favour.** At the date of this report, the merger had been cleared by Spain's National Securities Market Commission and all the relevant competition authorities except that of the European Union.

Therefore, it can be concluded that**, in 2016, for the second time, Gamesa fulfilled the objectives of its business plan 2015-17 ahead of schedule**, since it exceeded the 2017 financial and strategic targets in 2016.



Main factors

Activity

In 2016, Gamesa sold 4,332 MWe, 36% more than in 2015. This trend was driven mainly by India, Latin America, Europe & RoW, and the US; the principal customer categories were electric utilities (54% of the total) and IPPs (35%).

	2015	2016	Chg.
WTG sold (MWe)	3,180	4,332	36,2%

Geographical breakdown of wind turbine sales (MWe) (%)	2015	2016
USA	11%	12%
APAC	15%	9%
India	29%	38%
Latin America	28%	24%
Europe and RoW	16%	17%
TOTAL	**100%**	**100%**

Activity in 2016 was concentrated in the Gamesa 2.0 MW segment, which accounted for 98% of total MW sold. The Gamesa G114 2.0 MW - 2.5 MW platform accounted for 55% of activity in the period, compared with 24% in 2015, evidencing the new platforms' growing importance. Gamesa 5.0 MW platform accounted for 1% of MWe sold in 2016.

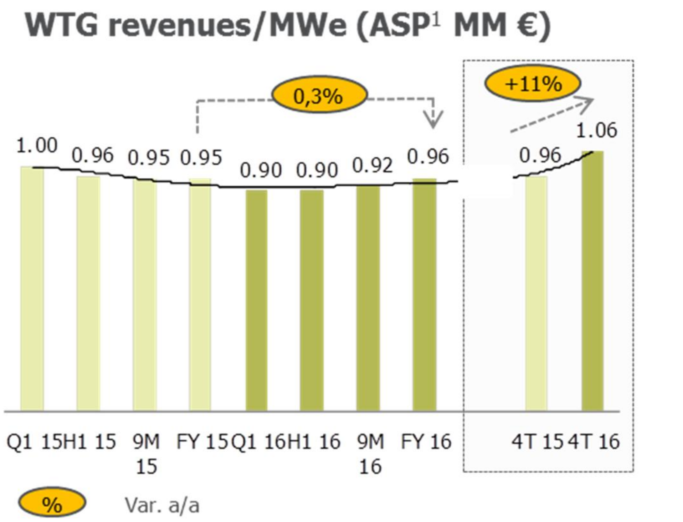
In the services division, Gamesa had 24,311 MW under operation and maintenance, 16% more than at the end of 2015. Growth in the fleet under maintenance came mainly from emerging markets India and Brazil, which offset a decline in mature markets. The year end post-warranty fleet under maintenance increased by 10% year-on-year to 17 GW.

	2015	2016	Chg.
MW under operation and maintenance at end of period	20,973	24,311	15,9%

Profit & Loss

Revenues amounted to €4,612 million in 2016, 32% more than in 2015.

This growth was due primarily to sales in the WTG division, which grew by 37% y/y thanks to a 36% increase in activity volume with respect to 2015. As projected at the beginning of the year, average revenues per MWe manufactured were stable in year-on-year terms. Sales of newer products, with larger rotors and taller towers, offset the negative exchange rate effect, which reached 5% by year-end, mainly as a result of depreciation of most of the emerging market currencies in which Gamesa operates. The assembly business had a varying impact on average revenues: it was negative in the first half of the year, when there was very little assembly work, and positive in the second half, when assembly work recovered. Specifically, in the first half only 0.54 MW were assembled per MWe sold, whereas the figures matched in the same period of 2015; in contrast, during the second half of the year, assembly work amounted to 1.4 MW per MWe sold, contrasting with 1.1 MW in the same period of of 2015. Overall, 4,262 MW were assembled in 2016, a 27% increase year-on-year. In the WTG division, revenues per MWe sold are affected by many factors, including project scope, rotor size, tower height, geography, activity scope, gearbox, etc.; accordingly, this variable is not indicative of the level or trend of profitability.



1. ASP (€ MM): WTG revenues (€) in the period/MWe sold in the period

Service revenues were stable in year-on-year terms, amounting to €471 million, in line with projections for the year. That stability is a reflection of pressure on prices and a reduction in contract scope; these trends are normal in the services business in mature markets. To offset the negative impact of these trends, Gamesa has implemented an operational strategy to ensure absolute profitable growth in the services division, even in a situation of flat sales, as was the case in 2016. The plan is based on three main vectors: cost-cutting programmes, commercialisation of value-added services in mature markets, and signing longer contracts in emerging markets. Growth in the fleet under maintenance and the post-warranty fleet, an improvement of nearly 30 points in the renewal rate, from 40% in 2015 to 67% in 2016, and expansion of the order book assure a return to growth in sales in 2017, fulfilling the objectives for the division in the BP2015-17E: accumulated growth of ≥20% in revenues in 2014-17, and an EBIT margin of ≥13%. The fleet under maintenance increased by 16% y/y in the last twelve months, to 24,311 MW, while the post-warranty fleet expanded by 10% in the same period, to 16,827 MW. Fleet growth is concentrated mainly in emerging markets. In line with growth in the fleet under maintenance, the services backlog has also expanded, reaching €2,412 million at 2016 year-end, 11.5% more than a year earlier.

At constant exchange rates, Group revenues would have amounted to €4,818 million, i.e. 38% more than in 2015.

In addition to attaining record revenues and commercial activity in the year, Gamesa also posted record EBIT: €477 million. The EBIT margin was 10.4%, 1,1 points more than in 2015. EBIT performance is attributable to:

- capital gains from the creation of the joint venture Adwen amounting to a positive €29mn (-0,8 p.p)
- the volume effect (+2.4 p.p.)
- contribution margin performance (+0.7 p.p.)
- fixed cost performance (-1.1 p.p.),
- currency performance (0.0 p.p.)

The improvement in the contribution margin in 2016 is linked to variable cost optimisation programmes and the favourable project scope, offsetting the adverse impact of the increase in fixed expenses needed to support growth (this increase includes an increase in depreciation and amortization charges in line with the increase in capex), and the lower contribution by O&M to total revenues (10% in 2016, vs. 13% in 2015).

Net financial expenses in the period amounted to €23 million (€10 million less than in 2015), while exchange losses amounted to €15 million, compared with exchange losses of €11 million in 2015, due to currency volatility in both periods. Financial expenses in 2016 included a negative €7 million impact from the estimates of scenarios that remain open after Areva exercised its put option to sell its Adwen stake to Gamesa in the context of the merger with Siemens Wind Power.

The tax expense amounted to €124.4 million, equivalent to a marginal rate of 28%, in line with 2015 and within the guidance range for the year (25%±3%).

As a result, **consolidated net profit totalled €301 million (€170 million in 2015).**

The **impact of the integration of Adwen at 50% in the consolidated net profit (without any impact in free cash flow) amounted to -€25 million (-€4 million in 2015[xvii]).**

Balance sheet

As reflected by the main balance sheet indicators**, Gamesa maintained its commitment to a sound financial position in a context of rising activity, while reducing working capital by €237 million y/y to -€225 million at year-end, and achieving a net cash position of €682 million.**

	2015	2016
Working capital/Revenues	0.3%	-4.9%
ROCE	18.8%	29.6%

Consolidated Income Statement and Balance Sheet — Key Figures

(€ million)	2015	2016	Chg.
Revenues	3,504	4,612	*+31.6%*
EBIT	323	477	*+47.9%*
EBIT/Revenues (%)	9.2%	10.4%	*+1.1pp*
Profit (Loss)	170	301	*+77.0%*
NFD (Cash)	-301	-682	*-381*
Working capital	12	-225	*-237*
Capex	168	211	*+43*

In 2016, in line with the modular capex strategy presented in the business plan 2015-17, Gamesa invested €211 million in property, plant and equipment and intangible assets to cater for expected demand growth, new product launches and operation and maintenance services. In addition to R&D expenditure, Gamesa invested in logistics, tooling, and blade capacity — both new capacity and product replacement due to the introduction and strong penetration by the G114 (2 MW and 2.5 MW) and G126 (2.5 MW) generators — in all regions where it operates.

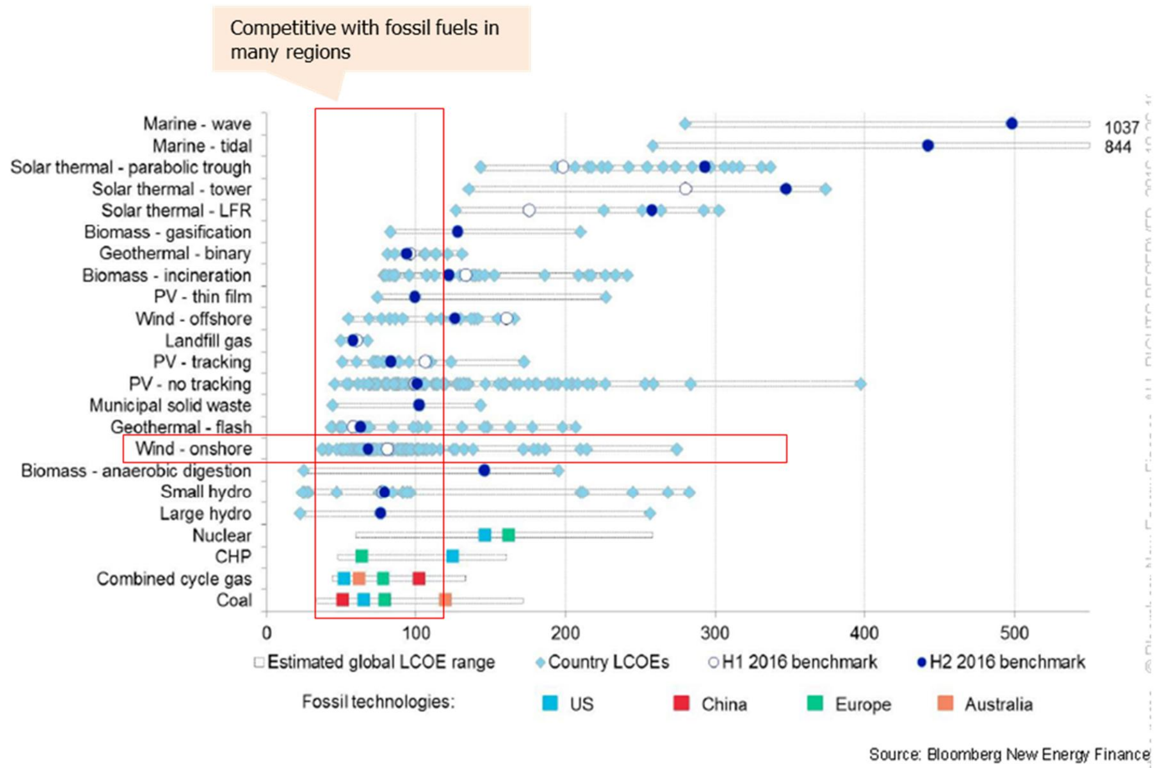
2. FORECASTED EVOLUTION

Positive demand prospects in the short and medium term[xviii]

The growing number of countries that are committed to renewable energies as a means of combating climate change, and the increasing competitiveness of renewable energy sources, including wind, lay the foundations for strong demand prospects in the short, medium and long term.

The growing support for renewable energy sources was clearly reflected in the speed with which the Paris Agreement, signed by 195 countries on 12 December 2015, came into force (4 November 2016), while wind power's increasing competitiveness was evident during 2016 in the outcome of many electricity auctions in both emerging and mature countries. Those auctions show that wind energy is competitive with conventional sources in many regions (see chart below).

LCOE prospects H2 16 (Source: Bloomberg New Energy Finance (BNEF). USD/MWh)

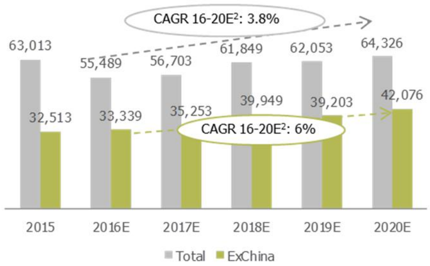


In terms of competitiveness[xix], **by 2027 it is estimated that new wind installations, which are already fully competitive in many countries, will be cheaper than coal- or gas-fired facilities in practically all geographies**, particularly if CO2 emission pricing is introduced, while **by 2040 the cost of energy for onshore wind will have declined by 41%**. That reduction will be due to a number of factors: falling equipment and development costs, low funding costs and, primarily, an increase in wind turbines' capacity factor.

In this context of growing governmental support and wind's greater competitiveness, long-term estimates[xx] **are** that, **by 2040, "clean" (i.e. zero GHG) energy sources will account for 60% of total installed capacity**, up from 31% at the end of 2015, most of the new installed capacity being concentrated in developing (non-OECD) countries, with China and India accounting for the bulk of new installed capacity. In those countries, economic growth and electrification are the main drivers of growth in energy demand and investment in new generating capacity. In the period 2016E-2040E, it is estimated that **1,825 GW of wind capacity will be installed, i.e. investment totalling 3 trillion**.

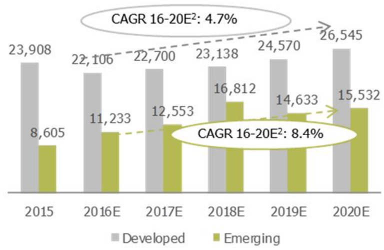
In the shorter term, and following the slight contraction in the pace of new wind installations worldwide (ex-China) in 2016, the short- and medium-term prospects are stable with respect to the projections released during the year, with emerging economies and offshore as the main growth engines. Emerging markets are expected to achieve an estimated 8.4% annual growth between 2016E and 2020E, while offshore will be the absolute leader in terms of expected annual growth: over 38% between 2016E and 2020E, with northern European countries (mainly Germany and the UK) and China to the fore.

Wind installations[1] 2015-2020E (MW)



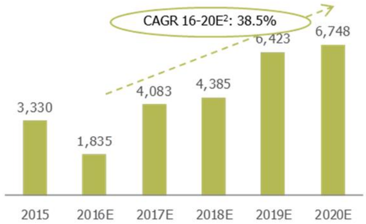
Source: BNEF and MAKE Q4 2016: GWEC 2015 figures

Wind installations[1] ex-China 2015-2020E (MW)



Source: BNEF and MAKE Q4 2016: GWEC 2015 figures

Offshore wind installations 2015-2020E (MW)



Source: BNEF and MAKE Q4 2016: GWEC 2015 figures

1. Includes onshore and offshore installations.
2. Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of publication of their reports, not on installations reported by GWEC on February 10. Based on GWEC reported numbers, installations in 2016 totalled 54.6 GW (31.3 GW ex- China). Outside China, 22.8 GW were installed in mature markets and 8.4 GW in emerging markets. Growth in mature markets includes growth coming from the offshore segment, which is concentrated mainly in Europe and China.

2017 Guidance[xxi]: commitment to profitable growth

In this favourable demand context, Gamesa maintains its commitment to profitable growth in 2017, the goal being to sell around 5,000 MW of wind turbines and achieve €550 million in group EBIT (a 15% increase over the 2016 figures in both cases).

The sales volume commitment is supported by the order book at 31 December 2016, which already covered 63%[xxii] of the committed volume. Though growth is expected in most regions, it will be led by the US and APAC, while India will continue to be the market with the largest single contribution to the company's top line in 2017.

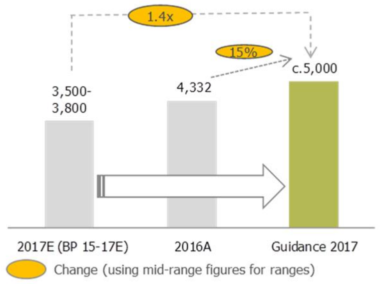
As well as growth by the Wind Turbine division, Gamesa maintains its commitment to the business plan for the Services unit, which is expected to resume revenue growth in 2017. This is already visible in the order backlog, which rose by 11% y/y, and in the recovery in the fleet under maintenance in 2016.

The commitment to increase operating profit to c. €550 million is supported by rising sales volumes, ongoing programmes to optimise variable costs, and strict control of structural costs, to offset pressure from a more competitive environment.

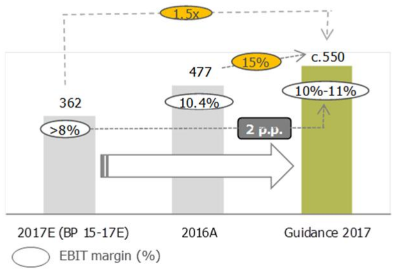
To achieve its projected growth, Gamesa maintains its modular capex strategy, the goal being for capex to be stable with respect to 2016 in relative terms: 4%-5% of revenues. The company also maintains its commitment to a sound balance sheet through strict control of working capital and upgrading previous years' targets so that working capital is about 0% of revenues. .

These objectives represent a 40-50% increase in the targets for sales and absolute EBIT with respect to the initial projections for this year in the BP2015-17.

Gamesa standalone: sales volume and guidance[1] (MWe)



Gamesa standalone: EBIT and EBIT margin performance and guidance[1] (€mn/%)



Gamesa Standalone: 2017 guidance	
Sales (MWe)	c. 5,000
EBIT (MM €)	c. 550
EBIT margin	10%-11%
Capex o/sales	4%-5%
Working Cap. o/sales	c.0%

1. At Jan-Feb. 17 average foreign currency exchange rates and using the same consolidation scope (i.e. with Adwen as equity-accounted)

Progress with the long-term value-creation strategy: Gamesa - Siemens Wind Power merger

Having secured its most immediate value-creation goals through its performance in 2016 and its commitments for 2017, Gamesa continues to advance with its strategy to create value beyond the current year and the business plan 2015-2017E, through the agreement to merge with Siemens Wind Power. The merger has already been approved by Gamesa's shareholders, Spain's National Securities Market Commission and several other competition authorities; at the date of this report, the only approval still pending was that of the European Union competition authorities, which is expected in the first quarter of 2017.

As a pre-requisite for completing the merger, Gamesa purchased Areva's 50% stake in Adwen, a subsidiary operating in the offshore segment. The acquisition was completed in January 2017, and Adwen will be fully consolidated by the merged company. Adwen has 630 MW in offshore wind farms under maintenance and is currently building a 350 MW wind farm in Germany (Wikinger). The company also has two product lines in the 5 MW and 8 MW categories (the latter under development), and a backlog of 1.5 GW in projects under the French auctions. Adwen obtained €248 million in revenues in 2016 and reported an operating loss of -€41 million, attributable to its current stage of development. At 31 December 2016, Adwen had €251 million in net debt and owed €238 million in loans to Areva.

TENTATIVE CALENDAR		
Siemens Wind Power carve out commences	Immediately after signing	✓
Gamesa Shareholders' Meeting[1]	Oct. 2016	✓
Authorisation by CNMV	Q4 16	✓
Competition authorities' authorisation[2]	Q1 17	
Merger effective date	Q2 2017	
Payment of the cash component	12 business days after the merger[4]	

1. At the special Shareholders' Meeting, 99.75% of capital in attendance voted in favour.
2. At the date of this presentation, pending only EU approval.
3. The dividend will be paid within 12 business days after the effective date of the merger (EDM) to natural and legal persons who: (i) were shareholders of record of Gamesa with Iberclear at the end of the fifth stock market session following the EDM, and (ii) hold shares that were outstanding on the day before the EDM.

The merger agreement will create value for all stakeholders, not just by reaping synergies but also due to the enhanced competitive position in a changing market in which the cost of energy is increasingly important. The merged group will be larger, with a greater scope and more diverse, a stronger balance sheet and a more comprehensive product portfolio.

Conclusions

In a situation of stable demand, Gamesa reported strong earnings in 2016, with record order intake, revenues and profitability, exceeding its guidance for 2016 even after upgrading it on two occasions during the year.

The company's sound competitive position enabled it to end the year with **21% year-on-year growth in order intake, to 4,687 MW**, exceeding its guidance of 4 GW for the year, after signing 1,386 MW in orders in the fourth quarter, 33% more than in the same period of 2015. This growth was accompanied by a sizeable increase in geographical diversification. The **order backlog at the end of December 2016 stood at 3,552 MW, 11% more than a year earlier, which provides a high level of visibility on the growth targets for 2017.**

Revenues amounted to €4,612 million, 32% more than in 2015, or 38% more at constant exchange rates[xxiii]. This increase was driven by higher sales volume in the Wind Turbine division (+36%) due to its strong competitive position and presence in geographies where the wind market is expanding faster than the global average. As a result, **Gamesa installed 4,262 MW, 27% more than in 2015, in a context of a slight decline in worldwide installations excluding China, reaching number 4 position in the global wind ranking published by Bloomberg New Energy Finance.**

In addition to increasing sales, Gamesa also enhanced profitability in 2016. **EBIT amounted to €477 million,** 48% more than in 2015, and the **EBIT margin was 10.4%, 1.1 percentage points more than in 2015. Net profit increased 1.8-fold to €301 million.**

In this context of strong growth of activity and revenues, Gamesa continues to prioritise a sound balance sheet by controlling both working capital and capex. Gamesa reduced working capital by €237 million year-on-year and improved the working capital/revenues ratio by over 5 percentage points, to -4.9%. This reduction in working capital, together with greater operating cash flow and capex planning tied to actual growth, **enabled Gamesa to end 2016 with €423 million in net free cash flow, 2.3 times the 2015 figure, and a net cash position of €682 million.**

The company is also making significant progress with its long-term strategy, which includes the merger with Siemens Wind Power, expected to be completed in the first quarter or beginning of the second quarter of 2017. At the date of this report, the merger had been approved by Gamesa's shareholders and cleared by Spain's National Securities Market Commission and it was only pending approval by the European Union competition authorities. **With this agreement, Gamesa enhances the visibility and sustainability of its value creation proposal to all its stakeholders for the medium and long term.**

As a result, Gamesa ended 2016 having achieved its goals one year ahead of schedule — not only its financial targets but also the strategic objectives set out in its business plan 2015-17.

Gamesa also maintains its commitment to profitable growth in 2017 with a plan to achieve double-digit growth — around 15% — with respect to 2016[xxiv] in both sales volume (MWe) and operating profit (EBIT).

3. MAIN BUSINESS RISKS

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

The risk associated with changes in exchange rates assumed for GAMESA's transactions involve the purchase and sale of products and services relating to its activity that are denominated in various currencies.

In order to mitigate this risk, GAMESA has obtained financial hedging instruments from financial institutions.

4. USE OF FINANCIAL INSTRUMENTS

Gamesa Group uses financial hedges which allow the Group to mitigate risks involving exchange rates, interest rates, and equity volatility that could affect the Group estimated results based on estimates of expected transactions in its various areas of activity.

5. SUBSEQUENT EVENTS

See Note 38 of the Consolidated Financial Statements and Note 22 of the Individual Financial Statements.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

Technological development is established within a multi-year framework that is rolled out in the Annual Technological Development Plan, where activities and deliverables are established for each year, and to which a budget is finally assigned.

In 2016, the main increase in the the section “Research development costs” of the Intangible Assets was due to the development of Gamesa Innovation and Technology, S.L. of new wind turbine models and to the optimisation of the performance of their components amounting, in total for the entire Group, approximately €54,669 thousands (approximately €44,234 thousands in 2015).

7. TREASURY SHARE OPERATIONS

At December 31, 2016 Gamesa holds a total of 2,365,265 treasury shares representing 0.847% of share capital.

The total cost for these treasury shares amounts €46,897 thousands, each with a par value of €19,828.

A more detailed explanation of transactions involving treasury shares is set out in Note 18.E of the Notes to the Consolidated Financial Statements at December 31, 2016.

8. CAPITAL STRUCTURE

CAPITAL STRUCTURE, INCLUDING SECURITIES TRADED ON A COMMUNITY REGULATED MARKET, INDICATING, WHERE APPROPRIATE, THE DIFFERENT NATURE OF SHARES AND FOR EACH TYPE OF SHARES, THE RIGHTS AND OBLIGATIONS GRANTED AND PERCENTAGE OF CAPITAL REPRESENTED:

In accordance with Article 7 of the By-laws of Gamesa Corporación Tecnológica, S.A., in the wording approved on May 8, 2015 *“The share capital is FOURTY SEVEN MILLION FOUR HUNDRED SEVENTY FIVE THOUSAND SIX HUNDRED NINETY THREE EUROS AND SEVENTY-NINE CENTS (€47,475,693.79), represented by 279,268,787 ordinary shares of seventeen cents nominal value each, numbered consecutively from 1 to 279,268,787, comprising a single class and series, which are fully subscribed and paid.”*

SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information in the possession of GAMESA CORPORACION TECNOLOGICA, S.A. the capital structure at December 31, 2016 is as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Number of voting rights related to the execution of financial instruments	% total voting rights
IBERDROLA, S.A.	-	54,977,288	-	19.686%
NORGES BANK	8,958,027	-	-	3.208%
OZ MASTER FUND LTD	-	-	2.041%	2.041%
FIDELITY INTERNATIONAL LIMITED	-	2,967,105	-	1.062%

(*) Through:

Name of direct holder of the stake	Number of direct voting rights	% total voting rights
IBERDROLA PARTICIPACIONES, S.A.UNIPERSONAL	54,977,288	19.686%

9. RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer of shares.

10. SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

See point 8.

11. RESTRICTIONS ON VOTING RIGHTS

There are no restrictions of any kind on voting rights.

12. SHAREHOLDER AGREEMENTS

In fulfilment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2, IBERDROLA, S.A. informed Gamesa Corporación Tecnológica, S.A. on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA, S.A. and Iberdrola Participaciones, S.A. (Sociedad Unipersonal), as shareholders (non-direct and direct, respectively) of Gamesa Corporación Tecnológica, S.A., on one hand, and Siemens AG, on the other hand. The content of the signed contract refers (i) to Gamesa in the context of a merging process of the wind energy businesses of Gamesa and Siemens AG (the "Merger"); and (ii) to the relationships as future shareholders of Gamesa after the Merger (the "Shareholders' agreement").

The Shareholders' agreement includes agreements which qualify it as a shareholder agreement in accordance with the terms of the Article 530 of the Corporate Entrepises Act, even though the effectiveness of some of those agreements are subjected to the achievement of the Merger.

13. REGULATIONS APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND AMENDMENT OF THE CORPORATE BY LAWS

Pursuant to the provisions of article 30 of the Gamesa CORPORACIÓN TECNOLÓGICA, S.A. Corporate By-laws, members of the Board of Directors are *"appointed by the General Meeting"* and *"should a vacancy arise during the term of office of a Director, the Board may appoint a shareholder to fill the vacancy until the first General Meeting is held",* always in compliance with the provisions of the Spanish Capital Companies Act and the Corporate By-laws.

In accordance with the Article 13.2 of the Board of Directors Regulations candidatures for the office of Director submitted by the Board of Directors for deliberation by the Shareholders General Meeting and the appointment decisions made by the said body pursuant to the interim powers conferred by law on the said body shall be preceded by the corresponding proposal by a) the Appointments and Remuneration Committee in the case of independent Directors, or b) by a report by the said Committee in the case of all other categories of Directors. Article 13.3 of the Board of Directors Regulations provides that *"where the Board of Directors should reject the proposal or the report of the Appointments and Remuneration Committee, it must state its reasons for this and record the said reasons in the minutes."*

Article 14 of the said Regulations provides that *"the Board of Directors and the Appointments and Remuneration Committee, within the scope of their powers, shall seek to ensure that the proposal and election of candidates corresponds to persons of renowned respectability, solvency, competence, and experience.*

In the case of Directors which are legal persons, the natural person who is to represent them in the exercise of the powers associated with the office of Director shall be subject to the same requirements of the prior pharagraph."

Finally, article 7.4 of the Appointments and Remuneration Committee Regulations makes it the responsibility of that *"to ensure that when filling vacancies on the Board of Directors, the selection procedures used are not subject to any implicit bias resulting in any discrimination of any kind.*"

With regard to the re-election of Directors, article 15 of the Board of Directors Regulations provides that *"any proposals for the re-election of Directors that the Board of Directors may decide to submit to the Shareholders General Meeting must be subject to a formal evaluation process under the terms provided by law. The agreement of the Board of Directors of summiting the re-election of directors to the Shareholder General Meeting shall necessarily include a proposal or report issued by the Appointments and Remuneration Committee, while the one of the remain directors should have a prior favourable report by such Committee.*

The Directors that form part of the Appointments and Remunerations Committee must abstain from being involved with any deliberations and votes that involve themselves.

The re-election of a Director that takes part in a Committee or that practices and internal position in the Board of Directors or in any of its committees will determine its continuation in such position without the necessity of an express re-election and that does not affect the revocation power that corresponds to the Board of Directors."

The dismissal of Directors is governed by article 16 of the Board of Directors Regulations, which provides that *"Directors shall cease to hold office upon the expiry of the term for which they were appointed without prejudice to the possibility of being re-elected, and upon a decision in this regard taken by the Shareholders General Meeting on the mention of the Board of Directors or of the shareholders in accordance with the terms provided by law."*

The procedures and circumstances with regard to the dismissal shall be those laid down in the Spanish Capital Companies Act and in the Commercial Registry Regulations.

Pursuant to the provisions of Article 16.2 of the Board of Directors Regulations, *"Directors shall tender their resignation to the Board of Directors, and where the Board should consider it appropriate, shall step down-following a report by the Appointments and Remuneration Committee-in the following circumstances:*

a) In the case of Proprietary Directors where said Directors or the shareholders they represent should cease to hold a significant and stable shareholding in the Company, or where they said shareholders should revoke the representation conferred on the Director.

b) In the case of executive Directors, when they cease the executive positions to which its appointment as Director is associated, and in any case, where the Board of Directors should consider this appropriate.

c) In the case of non-executive Directors, where they should join the executive line of the Company or any of the Group companies.

d) Where, for supervene in reason, they incur in any of the circumstances of disqualification or prohibition envisaged in the current regulations, in the Corporate By-laws, or in these Regulations.

e) Where they are charged with an alleged criminal offense, or are served with notice that they are to be tried for any of the offenses listed in the provisions relating to disqualification from holding the office of director envisaged in the Spanish Capital Companies Act, or are the subject of disciplinary proceedings for a serious or very serious offense commenced by the regulatory authorities

f) Where they should receive a serious reprimand from the Board of Directors, or should be punished for a serious or very serious offense by a public authority, for having infringed their duties as Directors.

g) When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed no longer exist.

h) Where, for reasons attributable to the Directors in their capacity as such, serious harm has been caused to the Company's standing, or they should lose the commercial and special respectability necessary in order to be a Director of the Company."

In accordance with points 3,4 and 5 of the quoted article *"in any of the indicated events in the prior section, the Board of Directors will require the Director to cease from its position and where appropriate, will propose its resignations to the General Meeting. As an exception, it will not be applicable the aforementioned in the resignations cases determined in the letters a), d), f) y g) when the Board of Directors estimates that are causes that justify the permanency of the Director, without prejudice to the effect that the new supervening circumstances may have on its mark.*

The Board of Directors will only be able to propose the resignation of an independent Director before the course of his mandate when it ends until fair cause, considered by the Board of Directors, on the motion of the Appointments and Remunerations Committee. Particularly, for having break the inherent duties of its positions or for having incurred in any circumstance provided in the law as incompatible for the entrance to that category.

The Directors that may resign from their position before the termination of their duty should send a letter to all the members of the Board of Directors explaining the reasons of the resignations".

Rules applicable to the amendment of the Corporate By-laws

The amendment of the Gamesa Corporación Tecnológica, S.A. Corporate By-laws is governed by the provisions of Articles 285 to 290 of the Spanish Capital Companies Act, approved by Royal Legislative Decree 1/2010 of July 2 (the "Capital Companies Act").

Additionally, the modification of the By-laws is governed by the provisions considered in the By-Laws and in the Shareholder General Meeting Regulations of the Company.

In this regard, about its modification, Articles 14. h) of the By-Laws and 6.1 h) of the Shareholder General Meeting Regulations claim that that corresponds to the Shareholder General Meeting of Gamesa.

Likewise, articles 18 of the By-Laws and 26 of the Shareholder General Meeting Regulations include quorum requirements for the adoption of agreements by the Shareholder General Meeting. On the other hand, Articles 26 of By-Laws and 32 of the Shareholder General Meeting Regulations consider the necessary majorities for these effects.

Furthermore, article 31.4 of Shareholder Regulations indicates that the Board of Directors according to what is provided by law will prepare proposals for different resolutions for those matters that are substantially independent, so that shareholders may separately exercise their voting preferences. This rule is particularly applicable in the case of amendments to the By-laws, with votes taken on all articles or groups of articles that are materially independent.

Finally, in accordance with Article 518 of the Spanish Companies Act upon the calling of the General Meeting, at which the amendment of the By-laws will be proposed, the Company's website will include the complete text of the proposed resolution and the reports from the competent bodies.

14. POWERS OF ATTORNEY OF THE MEMBERS OF THE BOARD OF DIRECTORS AND, IN PARTICULAR, THOSE RELATING TO THE POSSIBILITY OF ISSUING OR REPURCHASING SHARES

Power-of-attorney granted to Members of the Board of Directors

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the meeting held on June 22, 2016, unanimously agreed, following a favourable report by the Appointments and Remuneration Committee to appoint Mr. Ignacio Martín San Vicente as Executive Chairman of the Board of Directors and Managing Director, delegating all powers corresponding to the Board of Directors pursuant to law and to the Corporate By-laws to him, with the exception of those that may not be delegated pursuant to law or to the Corporate By-laws. Mr. Martín San Vicente accepted his appointment at the same act.

Powers relating to the possibility of issuing or repurchasing shares

At the date of the approval of this Report, the authorization granted by the Annual General Meeting held on May 8, 2015 remains in force, pursuant to which the Board of Directors has powers to acquire treasury shares. There follows below a verbatim transcription of the resolution approved by the Meeting under item 9 of the Agenda.

"To expressly authorize the Board of Directors, with express powers of substitution, pursuant to the provisions of article 146 of the Spanish Companies Act, to proceed to the derivative acquisition of shares in Gamesa Corporación Tecnológica, Sociedad Anónima, subject to the following conditions:

a. - Acquisitions may be made directly by Gamesa, or indirectly through its controlled companies.

b.- Acquisitions of shares shall be made through sale and purchase transactions, exchanges, or any other method allowed by law.

c. - Acquisitions may be made, at any time, up to the maximum figure allowed by law.

d. - The minimum price for the shares will be their par value and the maximum price may not exceed 110% of their listed price on the date of acquisition.

e. - The shares acquired may be subsequently disposed of under such conditions as may be freely agreed.

f. - This authorization is granted for a maximum term of 5 years, and expressly renders of no effect the authorization granted by the Company's Annual General Meeting on May 28, 2010, in that part left to run.

g.- As a consequence of shares acquisition, including those that the Company or the person that acts on its self but on behalf of the Company may have acquired priory or have had treasury shares, the resulted equity will not be lower than the amount of the sum of the share capital plus the legal and unavailable statutory reserves, all under what is provided in letter b) of the Article 146.1 of the Spanish Companies Act.

Finally and in relation with the provision of the last paragraph of article 146.1.a) of the Spanish Companies Act, it is stated that the shares acquired pursuant to this authorization may be used by the Directors of the Company, either directly or as a result of the exercise of option rights or any other rights envisaged in the Incentive Plans of which they are the holders and/or beneficiaries pursuant to the provisions laid down by law, the by-laws, or the regulations."

15. SIGNIFICANT AGREEMENTS ENTERED INTO BY THE COMPANY AND WHICH COME INTO FORCE, ARE AMENDED, OR COME TO AN END IN THE EVENT OF A CHANGE OF CONTROL AT THE COMPANY AS A RESULT OF A TAKEOVER BID, AND THE EFFECTS THEREOF, EXCEPT WHERE THE DISCLOSURE THEREOF SHOULD BE SERIOUSLY PREJUDICIAL TO THE COMPANY. THIS EXCEPTION SHALL NOT APPLY WHERE THE COMPANY SHOULD BE UNDER A STATUTORY DUTY TO MAKE THIS INFORMATION PUBLIC.

Pursuant to the framework agreement dated December 21, 2011 (Relevant Event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L. Unipersonal, in the event of any change in control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. would allow IBERDROLA, S.A. to terminate the framework agreement without the parties having any claim against such termination.

Also in accordance with the Joint Venture agreement signed as of July 7, 2014 (Relevant Event number 208151) and of March 9, 2015 (Relevant Event number 219885) between AREVA, SA and GAMESA CORPORACIÓN TECNOLÓGICA, S.A., among other companies within their respective groups, the eventual change in control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. in favor of a competitor would authorize the parties to the AREVA group to terminate the agreement, a situation that could lead to the sale of AREVA's participation held by GAMESA in the Joint Venture or, ultimately, to the dissolution and liquidation of that company Joint Venture.

Finally, on December 17, 2015, Gamesa Energía, S.A.U. (as buyer) and GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. y FUNDACION TECNALIA RESEARCH & INNOVATION (as sellers) signed a Purchase-sale Agreement of social Shares which is subject to a condition precedent that regulates the acquisition of 50% of NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L. (NEM). The Condition Precedent consists of the authorization of the NATIONAL SECURITIES MARKET COMMISSION AND OF THE COMPETITION BOARD determined in the Article 7.1.c) of 15/2007 Law, of July 3, of The Commission of Protection of Competition. On the same date, and with aim of regulating the relations between Gamesa Energía and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as potential partners of NEM (in his case) the parties signed a Partner Agreement. According to the regulations gathered in the Partner Agreement, in the event of a change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A., Gamesa Energía, S.A.U. should offer to the rest of partners the direct acquisition of their shares in NEM.

16. ANY AGREEMENTS BETWEEN THE COMPANY AND ITS BOARD MEMBERS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THEY RESIGN OR ARE MADE REDUNDANT WITHOUT VALID REASON OR IF THEIR EMPLOYMENT CEASES BECAUSE OF A TAKEOVER BID.

The Chairman and CEO and some of the members of the executive team at the Company have contractual agreements to receive financial compensation in the event of termination for reasons attributable to the Company and, in some cases, due to the occurrence of objective circumstances, such as a change in control. The financial compensation agreed for such termination consists, in general, of the payment of compensation up to a maximum of two years' salary, depending on personal and professional circumstances and the time at which the agreement was concluded.

In general with regard to non-managerial employees, in the event of the termination of their employment relationship, their contracts do not clearly consider financial compensation other than as required by current legislation.

[i] Gamesa Corporación Tecnológica engages in wind turbine manufacture, which includes the development, construction and sale of wind farms, as well as O&M services.
[ii] Includes 731 MW signed in Q4 16 and announced in Q1 17.
[iii] Coverage calculated as the ratio between firm orders at 2016 year-end and projected 2017 sales (5,000 MWe). Coverage of 63% in 2016 is calculated in terms of orders at 2015 year-end with respect to 2016 sales (4,332 MWe).
[iv] Ratio of working capital to revenues in the last twelve months.
[v] Net financial debt means interest-bearing debt, including subsidised loans, derivatives and other current financial liabilities, less other current financial assets and cash.
[vi] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q4 2016 (731 MW) that were announced individually in Q1 2017.
[vii] Data published by the Global Wind Energy Council (GWEC) on 10 February 2016 and 2017, respectively.
[viii] According to GWEC preliminary figures published on 10 February, 54,600 MW were installed in 2016, of which 23,328 MW in China and 31,272 MW in the rest of the world. According to GWEC figures published on 10 February 2016, a total of 63,013 MW were installed worldwide in 2015, of which 30,500 MW in China and 32,513 MW in the rest of the world.
[ix] Bloomberg New Energy Finance global ranking, including onshore and offshore, published on February 22, 2017.
[x] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years.Includes firm orders signed in Q4 2016 (731 MW) that were published individually in Q1 2017.
[xi] Book-to-bill ratio in the quarter.
[xii] Book-to-bill ratio in the last twelve months.
[xiii] Coverage calculated as orders received for activity in 2017 with respect to the activity guidance for 2017 (c. 5,000 MWe).
[xiv] Fixed expenses with a cash impact, excluding depreciation and amortisation.
[xv] The impact of Adwen on the net profit of 2015 is made up of two impacts: capital gains from the creation of the joint venture which amounted to €29 million, €21 million net of taxes, and operating losses wich amounted to €26 million.
[xvi] Capex LTM/sales LTM.
[xvii] The impact of Adwen on the net profit of 2015 is made up of two impacts: capital gains from the creation of the joint venture which amounted to €29 million, €21 million net of taxes, and operating losses wich amounted to €26 million.
[xviii] Source: GWEC 2015, MAKE and BNEF (Q4 2016 - Global Wind Power Market Outlook Update)
[xix] Bloomberg New Energy Finance: “H2 2016 Global LCOE Outlook”, October 2016; “New Energy Outlook 2016”, June 2016
[xx] Bloomberg New Energy Finance: “H2 2016 Global LCOE Outlook”, October 2016; “New Energy Outlook 2016”, June 2016
[xxi] Guidance for 2017 fiscal year for Gamesa “standalone”/pre-merger, excluding expenses strictly derived from the merger, at average exchange rate of Janueary-February 2017 and with the same consolidation perimeter (i.e. recognizing Adwen at equity method).
[xxii] Coverage of sales volume calculated as firm orders received for current year at 2016 year-end with respect to the volume guidance for 2017 (c. 5,000 MWe).
[xxiii] At constant 2015 average exchange rates.
[xxivxxivxxivxxivxxiv] Guidance for 2017 fiscal year for Gamesa “standalone”/pre-merger, excluding expenses strictly derived from the merger, at average exchange rate of Januaeary-February 2017 and with the same consolidation perimeter (i.e. recognizing Adwen at equity method).

ANNEX

Alternative Performance Metrics

Gamesa's financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Metrics (APM). The APM are considered to be "adjusted" magnitudes with respect to those presented in accordance with EU-IFRS and, consequently, the reader should view them as supplementary to, but not replacements for, the latter.

The APM are important for users of the financial information since they are the metrics used by Gamesa Management to assess financial performance, cash flows and the financial position for the purposes of the Group's financial, operational and strategic decisions.

The APM contained in Gamesa's financial disclosures that cannot be directly reconciled with them are as follows:

1. Return on capital employed – ROCE

This APM is used by Gamesa management to assess the ability of operational assets to generate profits; it is a measure of the profitability and efficiency of invested capital (equity plus debt).

ROCE is calculated as:

$$\boldsymbol{ROCE} = \frac{EBIT \times (1-t)}{\overline{CE}}$$

Where $\boldsymbol{t}$ is the rate of corporate income tax and $\overline{\boldsymbol{CE}}$ is the average capital employed in the period. Capital employed measures the capital invested in the group (equity plus debt) and is calculated as Total Equity + Net Financial Debt [NFD, defined below]. Average capital employed is calculated as the arithmetic mean of capital employed at the beginning of the current year and capital employed at the end of the period. ROCE is calculated for 12-month periods: for interim periods that do not coincide with a full accounting year, EBIT in the last twelve months is used.

The tax rate used is 28.3% in 2016 (28% in 2015), in accordance with the latest estimates of the average tax rate in the year.

	Million euro	
	2016	**2015**
EBIT in the last 12 months (LTM)	477	323
(1-t)	0.717	0.720
I. EBIT LTM after taxes	**342**	**232**
Beginning total equity	1,527	1,385
Beginning NFD	(301)	(143)
II. Beginning capital employed	**1,226**	**1,242**
Ending total net equity	1,765	1,527
Final net financial debt	(682)	(301)
III: Ending capital employed	**1,083**	**1,226**
IV.= ((II+III)/2), Average capital employed	**1,155**	**1,234**
I / VI. ROCE	**29.62%**	**18.80%**

2. Net financial debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings, including subsidised loans (repayable advances), derivative instruments and other current and non-current financial liabilities, less cash and cash equivalents and the value of short-term financial investments.

Net Financial Debt is the main APM used by Gamesa management to measure the Group's indebtedness and leverage (when compared with Capital Employed).

	Million euro (*)					
	31.12.2016			31.12.2015		
Financial statements line-item:	Financial Statements	Adjustments	NFD	Financial Statements	Adjustments	NFD
Derivative financial instruments (non-current assets)	0	-	0	8	-	8
Derivative financial instruments (current assets)	12	-	12	10	-	10
Other current financial assets	21	-	21	17	-	17
Other current financial assets, related companies	10	-	10	8	-	8
Cash and cash equivalents	1,295	-	1,295	869	-	869
Financial debt (non-current liabilities)	(425)	-	(425)	(445)	-	(445)
Derivative financial instruments (non-current liabilities)	(7)	-	(7)	(4)	-	(4)
Other liabilities (non-current)	(38)	8[(1)]	(30)	(44)	13[(1)]	(31)
Financial debt (current liabilities)	(120)	-	(120)	(103)	-	(103)
Derivative financial instruments (current liabilities)	(60)	-	(60)	(4)	-	(4)
Other current liabilities	(121)	107[(2)]	(14)	(102)	80[(2)]	(23)
Net Financial Debt (positive: net cash / negative: net debt)			682			301

[(1)] The adjustment correspond to the elimination of liabilities with personnel amounting to €5.2 million at 31 December 2016 and other long term liabilities amounting to €2.8 million. At 31 December 2015, the adjustments were for elimination of liabilities to personnel amounting to €7 million, plus other liabilities related to associated companies amounting to €6 million.

[(2)] The adjustments relate to the elimination of items classified as working capital amounting to €107 million at 31 December 2016 (€80 million at 31 December 2015) (see Working Capital).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

3. Working capital (WC)

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

Working Capital reflects the part of Capital Employed that is invested in net operating assets. Gamesa management uses this metric in managing and making decisions with respect to the business's cash conversion cycle, particularly in managing inventory, trade accounts receivable and trade accounts payable. Effective management of working capital involves achieving an optimal amount of working capital without jeopardising the company's ability to honour its obligations in the short term.

Financial statements line-item:	Million euro (*)					
	31.12.2016			31.12.2015		
	Financial Statements	Adjustments	Working capital	Financial Statements	Adjustments	Working capital
Inventories	1,036	-	1,036	803	-	803
Trade and other accounts receivable	1,226	-	1,226	989	-	989
Trade accounts receivable, related companies	285	-	285	82	-	82
Receivable from public authorities	301	-	301	213	-	213
Other receivables	19	-	19	42	-	42
Trade and other accounts payable	(2,405)	-	(2,405)	(1,789)	-	(1,789)
Trade accounts payable, related companies	(407)	0	(407)	(149)	0	(148)
Due to public authorities	(174)	-	(174)	(100)	-	(100)
Other current liabilities	(121)	14(1)	(107)	(102)	23(2)	(80)
Working capital			(225)			12

(1) The adjustments relate to the elimination of the short-term part of the balance of repayable advances (€8 million), and other accounts payable that qualify as net financial debt (€6 million).
(2) The adjustments relate to the elimination of the short-term part of the balance of repayable advances, (€6 million), and other accounts payable that qualify as net financial debt (€17 million).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

The ratio of working capital to revenue is calculated as working capital at any given date divided by the revenue in the twelve months prior to that date.

4. Capital Expenditure (Capex)

Capital Expenditure (capex) refers to investments made in the period in fixed assets (productive assets, whether tangible or intangible) in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex).

The amount of Capex is obtained directly from the financial statements:

Financial statements line-item:	**Million euro**	
Cash flow statement	**2016**	**2015**
Acquisition of intangible assets	72	56
Acquisition of property, plant and equipment	139	112
Capex	**211**	**168**

5. Definitions of cash flow

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (capex). Gamesa includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the year, the ordinary non-cash items (depreciation and amortisation, and over-provisions) and income from equity-accounted affiliates.

Net operating cash flow: the result of deducting working capital (defined in item 6) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

Free cash flow: obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between December 2016 and 2015 (defined in item 2 above) plus dividends paid in the period.

Million euro	2015	2016	Change
NFD (+ cash / - debt)	**301**	**682**	**381**
Dividend payments			42
Free cash flow			**423**

6. Average working capital

Calculated as the average of Working Capital (defined in point 3) at the end of the last four quarters.

Million euro	Q1	Q2	Q3	Q4	Average
Working capital 2015	395	275	365	12	**262**
Working capital 2016	153	129	253	-225	**77**
Change					**(184)**

7. Average Selling Price (ASP)

Average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

Million euro	2015	2016
Revenue	**3,504**	**4,612**
Wind Turbine Generators (1)	3,033	4,141
Operation and maintenance	471	471
MWe sold (2)	**3,180**	**4,332**
ASP (1/2)	**0.95**	**0.96**

8. Contribution Margin, Structural Expenses and EBIT

The **Contribution Margin** (CM) is the difference between revenue and variable costs. Deducting fixed (structural) costs, period depreciation and amortisation and impairments from the Contribution Margin gives EBIT. The Contribution Margin is normally presented as a percentage of revenue, the latter being revenue (total or by segments, as appropriate) in the financial statements.

Structural expenses are calculated by deducting period depreciation and amortisation, impairments and the Contribution Margin from EBIT. Structural expenses are presented as a percentage of revenues, the latter being revenue in the financial statements.

EBIT (Earnings Before Interest and Taxes): operating profit per the consolidated income statement. Operating profit before income from equity-accounted affiliates, net financial results including exchange gains/losses, taxes and income from discontinued operations/available-for-sale assets and non-controlling interests.

EBIT margin: ratio of reported EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

9. Net profit and Net profit per share (EPS)

Net profit: consolidated profit for the year attributable to the parent company.

Net profit per share (EPS): the result of dividing net profit by the average number of shares outstanding in the period (excluding treasury shares).

Thousands	2015	2016
Net profit	170,216	301,278
Number of shares	276,133	276,723
BNA	**0.62**	**1.09**

10. Other indicators

Coverage of WTG sales volume: the sales coverage ratio expresses the likelihood of achieving the WTG sales volume targets set by the company for a given year. It is calculated as orders received in the period (in MW) for activity/sale in a given year, divided by the activity/sales guidance for that year. Where the commitment is expressed as a range, the mid-point of the range is used. Where the commitment is expressed as a minimum volume, the ratio is calculated using that minimum volume.

MW	2016
Order Backlog year N (1)	3,135
Sales guidance year (2)	5,000
Coverage of WTG sales volume (1/2)	**63%**

Book-to-bill: ratio of order intake (in MW) to activity/sales (MWe) in the same period. The Book-to-Bill ratio gives an indication of the future trend in sales volume.

MW	2016
Order Intake	4,687
MWe	4,332
Book to bill	**1.1**

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

Cost of energy (LCOE/COE): the cost of converting a source of energy, e.g. wind, into electricity, measured in monetary units per MWh. It is calculated taking account of all costs incurred during the asset's life cycle (including construction, finance, fuel, operation and maintenance, taxes and incentives), divided by the total output expected from the asset during its useful life.

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES

IDENTIFYING DATA OF THE ISSUER

END DATE OF THE REFERENCE YEAR: 12-31-2016

TAX ID NO. A01011253

Company Name:

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

Business Address:

PARQUE TECNOLÓGICO DE BIZKAIA, EDIFICIO 222, 48170 ZAMUDIO (VIZCAYA)

A STRUCTURE OF THE PROPERTY

A.1 Fill out the following table on the Company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
09-08-2014	47,475,693.79	279,268,787	279,268,787

Indicate whether or not there are different kinds of shares with different associated rights.

Yes □ **No X**

Type	Number of shares	Denomination per unit	Unitary number of voting rights	Different rights

A.2 Detailed information of the direct and indirect holders of significant shares, of their company at the year end date, excluding directors:

Shareholder's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
IBERDROLA, S.A.		IBERDROLA PARTICIPACIONES, S.A. SOCIEDAD UNIPERSONAL	54.977.288	19,686
NORGES BANK	8.958.027		8.397.066	3,208
FIDELITY INTERNATIONAL LIMITED			2.967.105	1,062

Indicate the most significant changes to the shareholder structure throughout the year:

Shareholder's name or company name	Operation date	Operation description
BLACKROCK, INC.	01/07/2016	Decreased its shareholding under 3% down to 2.917%
NORGES BANK	01/15/2016	Increased its shareholding more than 3% up to 3.026%
BLACKROCK, INC.	02/04/2016	Decreased its shareholding under 3% down to 2.873%
YORK EUROPEAN OPPORTUNITIES INVESTMENT MASTER FUND, L.P.	02/05/2016	Increased its shareholding more than 1% up to 1.052%

FIDELITY INTERNATIONAL LIMITED	02/23/2016	Decreased its shareholding under 1% down to 0.947%
YORK EUROPEAN OPPORTUNITIES INVESTMENT MASTER FUND, L.P.	02/26/2016	Decreased its shareholding under 1% down to 0.802%
NORGES BANK	03/08/2016	Decreased its shareholding under 3% down to 2.967%
OZ MASTER FUND LTD	07/11/2016	Increased its shareholding more than 1% up to 1.062%
OZ MASTER FUND LTD	07/28/2016	Decreased its shareholding under 1% down to 0.973%
OZ MASTER FUND LTD	10/04/2016	Increased its shareholding more than 1% up to 1.016%
NORGES BANK	10/19/2016	Increased its shareholding more than 3% up to 3.136%
NORGES BANK	10/26/2016	Decreased its shareholding under 3% down to 2.890%
NORGES BANK	11/15/2016	Increased its shareholding more than 3% up to 3.375%
NORGES BANK	11/16/2016	Decreased its shareholding under 3% down to 2.847%
FIDELITY INTERNATIONAL LIMITED	11/28/2016	Increased its shareholding more than 1% up to 1.062%
NORGES BANK	12/06/2016	Increased its shareholding more than 3% up to 3.358%
OZ MASTER FUND LTD	12/13/2016	Increased its shareholding more than 2% up to 2.041%
NORGES BANK	12/14/2016	Increased its shareholding more than 3% up to 3.208%
DANIEL S. OCH	12/14/2016	Increased its shareholding more than 3% up to 3.024%
DANIEL S. OCH	12/28/2016	Decreased its shareholding under 3% down to 2.986%

See note (A.2) in Section H of this report.

A.3 Fill out the following tables on the members of the Company's Board of Directors who have rights to vote on the Company's shares:

Director's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
Arregui Ciarsolo, Juan Luis	0	RETOS OPERATIVOS XXI, S.L.	138,196	0.049 %
Martín San Vicente, Ignacio	62,702		0	0.022 %
Hernández García, Gloria	1,200		0	0.000 %
Rubio Reinoso, Sonsoles	1,030		0	0.000 %
Lada Díaz, Luis	519		0	0.000 %
Aldecoa Sagastasoloa, José María	500		0	0.000 %
Rodríguez-Quiroga Menéndez, Carlos	315		0	0.000 %
Cendoya Aranzamendi, Andoni	300		0	0.000 %
Aracama Yoldi, José María	207		0	0.000 %
Codes Calatrava, Gerardo	20		0	0.000 %
Vázquez Egusquiza, José María	0		0	0.000 %
Villalba Sánchez, Francisco Javier	0		0	0.000 %

Total % of voting rights in the power of the Board of Directors	0.073 %

Fill out the following tables on the members of the Company's Board of Directors who have rights over the Company's shares:

Director's name or company name	Number of direct rights	Indirect rights		Number of equivalent shares	% of the total voting rights
		Direct holder	Number of voting rights		

See note (A.3) in Section H of this report.

A.4 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders, as the Company is aware of them, unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description

A.5 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders and the Company and/or its group unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description
IBERDROLA, S.A.	CONTRACTUAL	SEE SECTION D.2.

A.6 Indicate whether or not the Company has been notified of shareholders' agreements which affect it according to the provisions in Articles 530 and 531 of the Capital Companies Law. Where applicable, describe them briefly and list the shareholders bound by the agreement:

Yes ☐ **No X**

Members of the shareholder's agreement	% of affected share capital	Brief description of the agreement
IBERDROLA, S.A., IBERDROLA PARTICIPACIONES, S.A.(SOCIEDAD UNIPERSONAL) and SIEMENS AKTIENGESELLSCHAFT	19.686% and 67% after meger	In fulfilment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2, IBERDROLA, S.A. informed Gamesa Corporación Tecnológica, S.A. on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA, S.A. and Iberdrola Participaciones, S.A. (Sociedad Unipersonal),

		as shareholders (non-direct and direct, respectively) of Gamesa Corporación Tecnológica, S.A., on one hand, and Siemens AG, on the other hand. The contract was signed in the context of a process of combination of the wind energy businesses of Gamesa Corporación Tecnológica, S.A. and Siemens AG through the merger by absorption of Siemens Wind Holdco, S.L. (Sociedad Unipersonal) by GAMESA (the "Merger"). In this frame it rules the realtionships as future shareholders of Gamesa after the Merger (the "Shareholders' agreement").

Indicate whether or not the Company is aware of the existence of shares agreed on between its shareholders. Where applicable, describe them briefly:

Yes ☐ **No X**

Members of the agreed on share	% of affected share capital	Brief description of the agreement

If, throughout the year, there was an amendment to or termination of these agreements or agreed on shares, indicate this expressly:

A.7 Indicate whether or not there is a natural or legal person who exercises or may exercise control over the Company according to Article 5 of the Securities Market Law. Where applicable, identify it:

Yes ☐ **No X**

Name or company name

Observations

A.8 Fill out the following tables on the Company's treasury shares:

At the year end date:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,365,265	0	0.847

(*) Using the:

Direct shareholder's name or company name	Number of direct shares
Total:	

Explain the significant variations, in accordance with the provisions in Royal Decree 1362/2007, occurring throughout the year:

Explain the significant variations
Pursuant to article 40 of *Royal Decree 1362/2007 of 19 October, implementing the Spanish Securities Market Act (Law 24/1988 of 28 July), regarding the transparency requirements in relation to information about issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union (the "Royal Decree 1362/2007")*, these issuers must inform the National Securities Market Commission (CNMV) of the proportion of voting rights held when, from the last treasury stock acquisition announcement, they acquire their own shares amounting to at least 1% of the voting rights via a single transaction or successive transactions. In this regard, during 2016 GAMESA CORPORACIÓN TECNOLÓGICA, S.A. ("GAMESA" or the "Company" and the group of companies of which Gamesa is the parent company, the "Gamesa Group" or simply the "Group") made seven announcements of direct acquisitions of treasury stock, since all of them exceeded the 1% threshold of the voting rights since the previous similar announcement. The announcements made are detailed below: • Announcement date: 3 February 2016, with a total number of directly acquired shares of 2,830,204, thus a capital share total of 1.01%. • Announcement date: 11 March 2016, with a total number of directly acquired shares of 2,835,160, thus a capital share total of 1.01%. • Announcement date: 13 June 2016, with a total number of directly acquired shares of 2,798,928, thus a capital share total of 1.00%. • Announcement date: 6 July 2016, with a total number of directly acquired shares of 2,800,327, thus a capital share total of 1.00%. • Announcement date: 25 August 2016, with a total number of directly acquired shares of 2,795,998, thus a capital share total of 1.00%.

• Announcement date: 11 October 2016, with a total number of directly acquired shares of 2,845,974, thus a capital share total of 1.01%. • Announcement date: 24 November 2016, with a total number of directly acquired shares of 2,912,805, thus a capital share total of 1.04%.

See note (A.8) in Section H of this report.

A.9 Provide detailed information on the terms and conditions and period of the current mandate from the Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer own shares.

On this report's approval date, the authorization given by the Ordinary General Meeting of the Company's Shareholders held on May 8, 2015, by virtue of which the Board of Directors was authorized to acquire own shares. The content of the agreement adopted at the referred to Meeting in point nine of the agenda is transcribed below:

"To expressly authorise the Board of Directors, with the express powers of substitution, as per the dispositions in article 146 of the Companies Law for the derivate acquisition of the Gamesa Corporación Tecnológica, Sociedad Anómina's ("Gamesa" or the "Company") own shares in the following terms:

a.- The acquisitions may be made by Gamesa or by any of its depending companies in the same terms of this agreement.
b.- The share acquisitions will be made through sales, swaption or any other legally permitted operations.
c.- The acquisitions may be made, at each time, up to the legally allowed maximum figure.
d.- The minimum share price will be their nominal value and the maximum will not be 110% above their market quotation value on the date of acquisition.
e.- The shares acquired may subsequently be transferred in freely decided conditions.
f.- The present authorisation is awarded for a maximum period of 5 years, expressly repealing the unused part of the authorisation awarded by the Company Shareholders' Ordinary General Meeting held on May 28, 2010.
g.- The shareholders' equity resulting from the acquisition of shares, including those that the Company or the person acting in their own name but for the account of the Company has previously acquired and holds as treasury shares, shall not be less than the amount of share capital plus the reserves that are restricted under the law or the By-Laws, all pursuant to the provisions of letter b) of section 146.1 of the Companies Law.

Lastly, and in relation to the dispositions in article 146.1.a) last paragraph of the Companies Law, it is stated that the shares that are acquired under the present authorisation, may be used by the Company for, amongst other purposes, giving to Company employees or administrators either directly or deriving from the exercise of option or other rights contemplated in incentive plans of which they are holders and/or beneficiaries as considered in the relevant legislation, statutes or regulations."

A.9 bis Estimated free float:

	%
Estimated free float	73.083

See note (A.9 bis) in Section H of this report.

A.10 Indicate whether or not there is a restriction on the transfer of securities and/or any restriction on the right to vote. Specifically, notify the existence of any other kind of restrictions which may make it hard to take control of the Company by acquiring its shares in the market.

Yes ☐ **No X**

Description of the restrictions

A.11 Indicate whether or not the general meeting has agreed on adopting neutralization measures regarding a public acquisition offer pursuant to the provisions in Law 6/2007.

Yes ☐ **No X**

Where applicable, explain the approved measures and the terms and conditions in which the restrictions will not be effective:

A.12 Indicate whether or not the Company has issued securities that are not traded in a regulated community market.

Yes ☐ **No X**

Where applicable, indicate the different kinds of shares and, for each kind of share, the conferred rights and obligations.

B GENERAL MEETING

B.1 Indicate and, where applicable, detail if there are differences between the minimum quorum given in the Capital Companies Law (LSC) regarding the quorum required to hold the general meeting.

Yes ☐ **No X**

	% of quorum different from the provisions in Art. 193 LSC for general circumstances	% of quorum different from the provisions in Art. 194 LSC for special circumstances in Art. 194 LSC
Required quorum in the 1st call		
Required quorum in the 2nd call		

Description of the differences

B.2 Indicate and, where applicable, detail if there are differences between the quorum given in the Capital Companies Law (LSC) for entering into social agreements:

Yes ☐ **No X**

Describe how it differs from the minimum quorum given in the LSC.

	Enhanced majority different from the one established in Article 201.2 of the LSC for the circumstances in 194.1 of the LSC.	Other enhanced majority circumstances
% established by the entity for adopting agreements		
Describe the differences		

B.3 Indicate the standards applicable to amending the Company's bylaws. Specifically, the majorities laid down for amending the bylaws will be communicated as well as, where applicable, the set standards for enforcing the rights of partners when amending the bylaws.

The amendment of the Gamesa Bylaws is governed by articles 285 through 290 of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July (the "Corporate Enterprises Act").

The amendment of the Gamesa Bylaws is also governed as stipulated in the Company's own Bylaws and the Regulations of the Company's General Shareholders Meeting.

In this regard, regarding to the capacity for amendment, articles 14 h) of the bylaws and 6.1 h) of the Regulations of the General Shareholders Meeting state that this capacity pertains to the Gamesa General Shareholders Meeting.

Articles 18 h) of the Bylaws and 26 of the Regulations of the General Shareholders Meeting include the quorum requirements for adopting decisions by the General Shareholders Meeting. Articles 26 of the Bylaws and 32 of the Regulations of the General Shareholders Meeting stipulate the majorities necessary to do so.

Article 31.4 of the Regulations of the General Shareholders Meeting states that the Board of Directors, in accordance with the law, will form proposals for different agreements regarding matters that are substantially independent so the shareholders may separately exercise their voting right. Specifically, this rule will be applied in the case of amendments to the bylaws, to each article or a group of articles which are substantially independent.

Finally, in accordance with article 518 of the Corporate Enterprises Act, with the notice convening the General Shareholders Meeting in which a proposal is made to amend the Bylaws, the Company's website will post the complete text of the agreement proposals on the items in the agenda proposing said amendment, and the reports from the competent bodies in relation thereto.

B.4 Indicate the data regarding attendance at the general meetings held throughout the year referred to in this report and those of the previous year:

	Attendance data				
			% distance voting		
General meeting date	**% physical presence**	**% represented**	**Electronic vote**	**Others**	**Total**
10-25-2016	23.13	34.80	0.00	0.00	57.93
06-22-2016	24.41	34.83	0.00	0.00	59.24
05-08-2015	24.37	34.51	0.00	0.00	58.88

See note (B.4) in Section H of this report.

B.5 Indicate if there is a restriction in the by-laws which establishes a minimum number of required shares to attend the general meeting:

Yes ☐ **No X**

Number of required shares to attend the general meeting	**1**

B.6 Repealed paragraph.

B.7 Indicate the address and mode of access to the Company's website and to the information on corporate governance and other information on the general meetings which should be available to the shareholders through the company's website.

The Bylaws of GAMESA rule in its article 48 the Webpage of the company according to the current legislation.

The obligatory content which must be published according to the restated Text of the Law on the Securities Market, approved by Royal Legislative Decree 4/2015, of October 23, ("Securities Market Law"), by the Capital Companies Law and by the Order ECC/461/2013, dated March 20, by which the content and structure of the annual corporate governance report, the annual report on remunerations and other informative instruments of the listed companies, of savings accounts and other entities that issue securities traded in official securities markets are determined, and completed by Circular 3/2015, dated June 23, of the Comisión Nacional del Mercado de Valores (National Securities Exchange Commission), on the technical and legal specifications that the webpage of the issued companies and the saving accounts that issue securities admitted in the official secondary securities markets must include, are directly accessible at http://www.gamesacorp.com/en/investors-and-shareholders/.

The Company's website does not only contain the information required by the legislation (Securities Market Law, Capital Companies Law, Order ECC/461/2013, dated March 20, and Circular 3/2015, dated June 23) but also other of information of interest for shareholders and investors and news referring to the Company's activity.

Limiting ourselves to the mandatory content, we have aimed for the viewers of it, shareholders and investors, to be able to simply access the information which, in accordance with the legislation of the Securities Market Law, has to be accessible and mainly that this information is continuously updated.

Regarding accessibility of the mandatory content, it must be noted that access to it is shown on the home page of the website under the title "Shareholders and Investors". Within this title, there is an index that includes content which, in accordance with the aforementioned Circular 3/2015 and Order ECC/461/2013, have to be included on the listed companies' websites. Likewise, it is also noted that the mentioned index is also directly available from the home page of the website, being able to access one of its already, individually broken down sections.

As in the previous eight years, it is worth noting that the Company has finished in 2016 (in compliance with the internal regulation on maintenance and updating the corporate website, under revision), the monthly revision of the mandatory content, proceeding, where necessary, to updating it in the maximum period of twenty days.

C THE COMPANY'S ADMINISTRATION STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the by-laws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Fill out the table below with the board members:

Director's name or company name	Representative	Directors's category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Martín San Vicente, Ignacio		Executive	Chairman and CEO	05-23-2012	06-22-2016	General Meeting
Arregui Ciarsolo, Juan Luis		Independent	Vice Chairman	01-28-1976	04-19-2013	General Meeting
Rodríguez-Quiroga Menéndez, Carlos		Executive	Director and Secretary	09-27-2001	04-19-2013	General Meeting
Vázquez Egusquiza, José María		Independent	Director	05-25-2007	04-19-2013	General Meeting
Lada Díaz, Luis		Independent	Director	10-23-2009	04-19-2013	General Meeting
Aracama Yoldi, José María		Independent	Director	03-08-2011	04-19-2013	General Meeting
Rubio Reinoso, Sonsoles		External Proprietary	Director	12-14-2011	06-22-2016	General Meeting
Aldecoa Sagastasoloa, José María		Independent	Director	07-25-2012	04-19-2013	General Meeting
Villalba Sánchez, Franciscp Javier		External Proprietary	Director	02-25-2015	05-08-2015	General Meeting
Hernández García, Gloria		Independent	Director	05-08-2015	05-08-2015	General Meeting
Cendoya Aranzamendi, Andoni		Independent	Director	05-08-2015	05-08-2015	General Meeting
Codes Calatrava, Gerardo		External Proprietary	Director	09-14-2016	10-25-2016	General Meeting

Total number of directors	12

Indicate any resignations in the Board of Directors during the period subject to information:

Director's name or company name	Condition of the director at the time of resignation	Leave date
Góngora Bachiller, Gema	External Proprietary	09-14-2016

See note (C.1.2) in Section H of this report.

C.1.3 Fill out the following tables on the board members and their different conditions:

EXECUTIVE DIRECTORS

Director's name or company name	Position in the company's organizational chart
Martín San Vicente, Ignacio	Chairman and CEO
Rodríguez-Quiroga Menéndez, Carlos	Director-Secretary of the Board of Directors and Legal Counsel

Total number of executive directors	2
% of the total of the board	16,67

EXTERNAL PROPRIETARY DIRECTORS

Director's name or company name	Name or company name of the significant shareholder acting as representative or who approved his/her appointment
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.
Villalba Sánchez, Francisco Javier	IBERDROLA, S.A.
Codes Calatrava, Gerardo	IBERDROLA, S.A.

Total number of proprietary directors	3
% of the total of the board	25

INDEPENDENT EXTERNAL DIRECTORS

Director's name or company name	Profile
Aracama Yoldi, José María	He was born in Pamplona (Navarra). He currently holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., of its Audit and Compliance Committee and of its Appointments Committee. He holds a Degree in Industry Engineering in the San Sebastian faculty (TECNUN) from the University of Navarra with a specialization in "Industrial Organization". He completed his studies with a Master in Business Administration (MBA) in the IESE in Barcelona (University of Navarra).

	Throughout his professional career he held different posts in the private and public sector. He was Financial Director and in charge of the registered office in Navarra of "Cementos Portland, S.A." (1979-1996), Economy and Tax Counsel in the Navarra Government (1996-1999), Director in Pamplona of the group "Cementos Portland Valderrivas" (1999-2001), General Director of SODENA (Sociedad de Desarrollo de Navarra, S.A.) (2001-2011) and Enclosure to the Presidency of the group "Cementos Portland Valderrivas" (2011-2013). In parallel to his professional activity and representing the Government of Navarra, Caja Navarra, SODENA or the group Cementos Portland Valderrivas, he was member of the Board of Directors of several companies, among others, SOFOENSA (Sociedad de Fomento Energético, S.A.), EHN (Energía Hidroeléctrica de Navarra, S.A.), Electra de Zudaire, S.A., Caja de Ahorros de Navarra, SODENA (Sociedad de Desarrollo de Navarra, S.A.), Redes de Telecomunicaciones de Navarra, S.A., Mutua Navarra, Cementos Alfa, S.A., Cementos Lemona, S.A., Uniland Cementera, S.A., Oficemen, Cembureau, Committee of the Regions of the European Parliament, Consejo Económico y Social de Navarra, Fundación Jorge Oteiza and Fundación Baluarte. Likewise and as independent Director or representing himself he was member of the Board of Directors of, among others, CEASA (Compañía Eólica Aragonesa, S.A.), Chairman of the Colegio de Ingenieros Industriales de Navarra, Chairman of the Agrupación Territorial de Navarra, País Vaco y La Rioja of the IESE, member of TEMIS (group of applied investigation specialized in business processes), Teacher of Finance in the Executive Master of Companies Management of the Foro Europeo (Escuela de Negocios, Pamplona). Currently, he is member of the Board of Consultora Altair, founding partner of the Technological Consultancy Tangle Research, S.L., member of the Social Board of the Universidad Pública de Navarra, of the Strategic Board of CEIT (Centro de Estudios e Investigaciones Técnicas), of the Junta Rectora de APD (Asociación para el Progreso de la Dirección) and of the Junta of Fundación Proyecto Hombre de Pamplona.

Lada Díaz, Luis	He was born in Mieres (Asturias). He currently holds the position of Member of the Board of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Member of the Executive Committee. He holds a Degree in Telecommunications Engineering from the Polytechnic University of Madrid. He is "Ad Honorem" Professor and permanent member of the Royal Academy of Engineering. After a short period in the Superior Board of Scientific Investigations (Consejo Superior de Investigaciones Cientificas) he joined, in 1973, the Center of Investigations and Studies of Telefonica, company where he mostly has developed his professional career. In 1984, he was appointed as Responsible for Planning and Technology. Between 1989 and 1993 he worked for the Amper Group, as General Director of Planning and Control, and after that he returned to Telefónica as Responsible of its Group of Subsidiaries and Participated Companies. In 1994 he was appointed Chairman of Telefonica Moviles España. In August, 2000, he became member of the Board of Directors of Telefonica, S.A., member of its Executive Committee and Executive Chairman of Telefonica Moviles, S.A. In August, 2003, he assumed the General Directorate of Development, Planning and Regulation of the Telefonica Group. Between December 2005 and July 2006 he was Executive Chairman of Telefonica de España. Currently, he is member of the Board of Directors of Indra Sistemas, S.A. and member of its Audit and Compliance Committee, and member of the Board of Directors of ENCE Energía y Celulosa, S.A. and of its Audit Committee. He is also member of the Counsel Board of ASSIA Inc. and of the Consejo del Colegio de Ingenieros de Telecomunicación. He has been member of the Government Board and Vice Chairman of the Spanish Telecommunications Engineers Association, as well as member of the Board of Directors of several companies of the Information Technology field. He has been awarded with different professional and business honours.

Aldecoa Sagastasoloa, José María	Born in Zaldibar (Vizcaya), he holds the position of member of the Board of Directors and of the Executive Committee, and Coordinating Director of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. Holds a Degree in Electronic Technical Engineering by the University of Mondragón and PADE (*Programa de Alta Dirección de Empresas*) by the IESE. Along his professional career he has hold different posts in the private sector, like diverse Technical and Management in COPRECI (1971-1982), the post of Management Director of FAGOR ELECTRÓNICA and he was also member of the Management Counsel of Fagor, S. Coop. (1982-1991). Between 1984 and 1991 he was Deputy Chairman of ANIEL (*Asociación Nacional de Industrias Electrónicas*) and Chairman of the Board of Components. Likewise his post as member of the Management Board of the European Association of electronic components (EECA) between 1986 and 1991 shall be pointed out. From 1992 until 2012 his professional career was developed in MONDRAGON CORPORACION holding diverse posts like Deputy Chairman (1992-2006), General Director of the Components Division (1992-1999), Chairman of the Congress and of its Permanent Committee (1994-1995), General Director of the Automotive Division (1999-2006), and he was also member of the General Board (1992-2006). In 2007 he was appointed Chairman of the General Board, post he held until July 2012. He was also Chairman of the Engineering School of the University of Mondragón (1998-2002). He also held the post of member of the Board of Directors of diverse companies of components and the automotive sector (Copreci-Chequia, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brasil, Paranoa-Cicautxo-Brasil, FPK, Fagor Ederlan-Eslovaquia), and the post of member (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES.

	Currently he holds the position of external independent Director in VISCOFAN, S.A., as well as member of its Audit Committee and Lead Independent Director.
Arregui Ciarsolo, Juan Luis	Born in Mallavia (Vizcaya). He is currently Deputy Chairman of the Board of Directors, member of the Executive Committee and member of the Remunerations Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. He holds a Technical Engineering Degree from the Bilbao School of Engineering, holds a degree in Numerical Control from Wandsdorf, Germany and has a Master in Micromechanics from Besançon, France. He is the Chairman of Viña Izadi, S.A. since 1987 and of Foresta Capital, S.A., since 2002, having taken part in founding both companies. He is also the President of ENCE Energía y Celulosa, S.A. since 2006, Director of GRL Aceite since 2000, and First Deputy Chairman of Cartera Industrial Rea, S.A. since 2008. He held the position of Director of Iberdrola, S.A. (1993-2010), holding the posts of member of the Audit Committee (1999-2001), member of the Executive Committee (2002-2010), member of its Appointment and Remuneration Committee (2004-2010) and Deputy Chairman of the Board of Directors (2006-2010). He also held the positions of Chairman of Gamesa, Chairman of Corporation Eólica Cesa, S.L., Co-Chairman of Grupo Guascor and member of Gestora de Proyectos y Contratos, S.A., of which he was co-founder.
Vázquez Egusquiza, José María	He was born in Bilbao (Vizcaya). He currently holds the position of Member of the Board of Directors and Member of the Audit and Compliance Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. He holds an Industrial Metallurgic Engineering Degree and an Economics Degree from the University of País Vasco, having completed his training with various Masters in the USA and Sweden.

	His professional career has been developed mainly in the metallurgic sector. He started at Babcock & Wilcox as an engineer of materials and weld in the valves for the nuclear power station department, holding afterwards management positions at different companies of the País Vasco within the metallurgic sector, equipments, shipping and construction. He is currently, among others, Chairman of the Board of Directors of GIROA (Grupo Veolia), member of the Strategic Committee of IK4 Research Alliance and member of the Patronato and the Strategic Board of the Centro de Estudios e Investigaciones Técnicas de Gipuzkoa (CEIT). He has performed, among others, tasks of President of the Industrial Politics Committee of CONFEBASK, member of the Board of Directors of CEOE, President of the Technological Innovation Committee of CEOE, member of the Corporate Committee for CEOE's Information Company, Director of Centro de Diseño Industrial of Bizkaia, member of the Board of Directors of Asociación Española para el Desarrollo de la Soldadura and member of the Board of Directors of SEOPAN. He has developed an intensive educational and disclosed work.
Hernández García, Gloria	Born in Madrid, she holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Chairman of its Audit and Compliance Committee. She studied at the Complutense University of Madrid, where she obtained a degree in Economic Sciences with a specialty in Economic Theory. She is currently the General Director of Finance and Capital Markets of Bankinter, S.A., manager of the treasury of the company, of balance sheet risk management, of solvency and calculation, and of the management of the resources of the Bankinter Group, as well as responsible for the budget control and the efficiency, the investors relations, accountancy policies and the financial control, the accounts and the

	financial information of the Bankinter group and the coordination of the relationship of the entity with the ECB. She is member of the Management Committee of Bankinter, S.A., Director as representative of Bankinter in Linea Directa Aseguradora, S.A., Bankinter Consumer Finance and Bankinter Global Services. Before joining Bankinter, S.A., she served for over seven years as the Financial Director of Banco Pastor, S.A. Doña Gloria Hernández García is Commercial Technician and State Economist on personal leave, and as such she worked until 2003 in different public posts connected to the Directorate General of the Treasury and Financial Policy, where she also held the position of General Manager of the Treasury. She also was *nata* Director of the CNMV and the Bank of Spain. At last, she has had significant international experience by being, among others, a representative member of Spain on Committees of the European Union and Director of the subsidiary of Bankinter in Luxembourg.
Cendoya Aranzamendi, Andoni	Born in in Deba (Gipuzkoa), he holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Chairman of the Appointments Committee and of the Remunerations Committee. He holds a Master's in Electrical Engineering from the Escuela de Armería in Eibar, and a Master's in Human Resources from CEREM. Andoni Cendoya Aranzamendi has broad experience in the industrial sector, having undertaken the majority of his career in a leading group of the aeronautical sector (the ITP Group). He also adds to his sectoral knowledge with experience in other sectors, with his role in the negotiation of restructuring the naval sector and the renewal of the bank agreement being particularly outstanding.

	He has experience in the senior management of international companies, acquired during his time as the Executive Director of Human Resources of the ITP Group, where he was also a member of the Management Committee of the Group. He also has experience in the management of international companies, as he was part of the management team of ITP's subsidiaries in England and Mexico. Specifically, he started up the operations of the latter.

Total number of independent directors	7
Total % of the board	58,33

Indicate if any director qualified as independent receives from the Company, or from its same Group, any amount or benefit for an item other than remuneration as director or maintains or has maintained, throughout the past year, a business relationship with the Company or any other company of its Group, whether in his/her name or as a significant shareholder, director or senior manager of an entity which maintains or would have maintained this relationship.

Where applicable, a reasoned statement from the Board on the reasons why it considers this director can perform its duties as an independent director shall be included.

Director's name or company name	Relationship description	Reasoned statement

OTHER EXTERNAL DIRECTORS

Other external directors will be identified and the reasons because they cannot be considered external proprietaries or independents and its entails, with the company, its managers, or its shareholders, will be detailed:

Director's name or company name	Reasons	Company, manager or shareholder with whom the entail is maintained

Total number of other external directors	0
Total % of the board	0

Indicate the variations which, where applicable, have occurred during the period in each director category:

Director's name or company name	Date of the change	Previous category	Current category

See note (C.1.3) in Section H of this report.

C.1.4 Fill out the following table with the information related to the number of female board members at the closing of the last 4 years, as well as the category of each one:

	Number of female board members				% of the total directors of each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0%	0%	0%	0%
Proprietary	1	2	1	1	33.33%	66.67%	50%	50%
Independent	1	1	0	0	14.29%	14.29%	0%	0%
Other External	0	0	0	0	0%	0%	0%	0%
Total:	2	3	1	1	16.67%	25%	10%	10%

C.1.5 Explain the measures that, where applicable, were adopted to include a number of women on the Board of Directors which permits reaching a balanced presence of men and women.

Explanation of the measures
The erstwhile Appointments Committee actively seeks, either directly or with external advice from outsourced companies, to include candidates in the different Director selection processes in adherence to the guidelines included in the "Director Selection Policy" approved by the Board of Directors on 23 September 2015. During 2016, four new directors were appointed, who are detailed as follows, thus her appointments are conditional on registration of the public deed of Merger between GAMESA and SIEMENS WIND HOLDCO, S.L. (Sociedad Unipersonal) ("Siemens Wind Holdco") with the Commercial Registry of Bizkaia: - Ms. Rosa María García García, as non-executive proprietary director. - Ms. Mariel von Schumann, as non-executive proprietary director. - Ms. Lisa Davis, as non-executive proprietary director. - Ms. Swantje Conrad, as non-executive independent director.

After the new appointments and taking into account the corporate governance issues included in the Shareholders' Agreement (see section A.6) after the effectiveness of the Merger the Board of Directors will be made up of 46% of women. These appointments positions the Company over the target of 30% women directors on the Board of Directors by 2020, as included in the Policy on selecting Directors (section 4.c)) and in Recommendation 14 of the Code of good governance for listed entities approved by the CNMV on 18 February 2015 (the "Good Governance Code"). Likewise, article 7.5 of the Regulations of the Appointments Committee contemplates that the duties of the Committee include "*establishing a representation target for the gender least represented in the Board of Directors and drawing up various guidelines on how to reach them.*"

C.1.6 Explain the measures that, where applicable, the Appointment Committee agreed on so the selection procedures do not suffer from any implicit discriminatory bias which interfere with selecting female directors, and that the Company deliberately seeks and includes among the potential candidates, women who meet the sought after professional profile:

Explanation of the measures
The Appointments Committee, in application of Article 14 of the Regulations of the Board of Directors, has established that director selection criteria shall entail recognized reputation/credibility, solvency, competence and experience, procuring that female candidates meeting this profile are selected in this selection process. Article 7.4 of the Regulations of the Appointments Committee stipulates also a further duty of the Committee, namely "*guaranteeing that the selection procedures are safeguarded from any implicit bias that could entail discrimination*". Section 4 c) of the "Policy on selecting Directors" approved by the Board of Directors on 23 September 2015 likewise states that "*the selection of directors must be safeguarded from any implicit bias that could entail discrimination of any sort and, in particular, interfere in the selection of female directors*".

When, despite the measures adopted, where applicable, the number of female board members is little or null, explain the reasons which justify this:

Explanation of the reasons
N/A

C.1.6 bis Explain the conclusions of the Appointments Committee regarding the verification of compliance with the director selection policy. And, in particular, how this policy is promoting attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The Appointments Committee arrived at the following conclusions in 2016 insofar as verification of compliance with the Director Selection Policy:

- The Company has fulfilled the law, Gamesa's Corporate Governance Rules and the recommendations of the good governance Code in its Directors' selection and appointment processes.

- More precisely, the Appointments Committee has expressly verified that the selection of candidates and their following appointments as members of the Board of Directors during 2016 has been carried out according to the "Policy on selecting Directors" approved by the Board of Directors in its session held on 23 September 2015.

- The Company shall continue improving the application of the principles and applicable good governance rules in this matter and promote the selection of directors with independent profiles having international professional experience, specialized and solvent in the business areas of Gamesa.

- Regarding the diversity of gender in the composition of the Board of Directors, after the appointments of women as Directors approved in the Extraordinary General Meeting, Gamesa does not just comply with the objective to have women representing at least 30% for 2020, but at the moment of the effectiveness of those appointments (with the registration of the Merger public deed in the Commercial registry of Bizkaia) the Company will have 46% of women as members of the Board of Directors.

C.1.7 Explain the form of representation on the Board of shareholders with significant shareholdings.

Shareholders holding significant stock are represented on the Board of Directors as Non-Executive Proprietary Directors. According to article 11 of the Regulations of the Board of Directors of GAMESA, directors are categorized into *"(a) executive directors; and (b) non-executive directors. Non-executive Directors may also be Independent, Proprietary or other External Directors.*

The status of each Director will be determined in accordance with legal provisions and must be explained by the Board of Directors before the General Shareholders Meeting that will carry out or approve their appointment and confirm or, where applicable, revise it annually in the Annual Corporate Governance Report after being verified by the Appointments and Remuneration Committee."

Moreover, it should be mentioned that article 9.4 of the Regulations of the Board of Directors states that "*the Board of Directors shall ensure that proprietary and independent directors are integrated in the majority group of non-executive directors, maintaining a balance regarding the complexity of the Group, the ownership structure of the company, the absolute and relative importance of significant shares, as well as the degree of continuity, commitment and strategic links with the holders of these stocks in the company.*"

Further, article 13.4 of the cited Regulations establishes that "*the provisions set forth in this chapter shall be binding notwithstanding the full freedom of the General Shareholders Meeting to decide on the appointment of directors.*"

Currently, Ms. Sonsoles Rubio Renosa is an external proprietary female director, appointed on 14 December 2011 by motion of Iberdrola, S.A. and last re-elected at the General Shareholder Meeting on 22 June 201.

Mr. Francisco Javier Villalba Sánchez is an external proprietary director, appointed on 25 February 2015 by motion of Iberdrola, S.A. and last re-elected at the General Shareholders Meeting on 8 May 2015.

Mr. Gerardo Codes Calatrava is an external proprietary director, appointed by cooption on September 14, 2016 by motion of Iberdrola, S.A. as substitute of Ms. Gema Góngora Bachiller and last re-elected at the Extraordinary General Sharaeholders' Meting on October 25, 2016.

See note (C.1.7) in Section H of this report.

C.1.8 Explain, where applicable, the reasons for which the proprietary directors were appointed by the motion of shareholders whose shares are less than 3% of the capital:

Shareholder's name or company name	**Reason**

Indicate whether or not formal requests for presence on the Board from shareholders whose shares are equal to or greater than that of others whose motion would have designated proprietary directors were taken into account. Where applicable, explain the reasons why they were not taken into account:

Yes ☐ **No X**

Shareholder's name or company name	**Explanation**

C.1.9 Indicate if any director has resigned from his/her position before the end of his/her term, if said director explained his/her reasons and how, to the Board of Directors, and, if done in writing, at least explain the reasons given below:

Director name	Reason for resignation
Góngora Bachiller, Gema	Personal reasons

C.1.10 Indicate, if they exist, the powers delegated to him/her or the executive director/s:

Director's name or company name	Brief description
Martín San Vicente, Ignacio	The Board of Directors of GAMESA., in its meeting on June 22, 2016, unanimously agreed, after a favorable report from the Appointment Committee, to re-elect Mr. Ignacio Martín San Vicente as Chairman and CEO of the Company delegating all powers to him which, according to the law and the by-laws correspond to the Board of Directors, except those which cannot be delegated by the law and by-laws, an appointment which was accepted by Mr. Martín San Vicente in the same act.

C.1.11 Identify, where applicable, the board members who assume positions as administrators or managers in other companies which are part of the listed company's group:

Director's name or company name	Company name of the entity in the group	Position	Has executive functions?

C.1.12 Detail, where applicable, the directors of its company which are members of the Board of Directors of other listed entities in official security markets different from its group, which the Company has been notified of:

Director's name or company name	Company name of the listed entity	Position
Arregui Ciarsolo, Juan Luis	ENCE ENERGÍA AND CELULOSA, S.A.	Chairman
	CARTERA INDUSTRIAL REA, S.A.	Vice Chairman 1º
Lada Díaz, Luis	INDRA SISTEMAS, S.A.	Director
	ENCE, ENERGÍA Y CELULOSA, S.A.	Director
Aldecoa Sagastasoloa, José María	VISCOFAN, S.A.	Director

C.1.13 Indicate and, where applicable, explain whether or not the Board of Directors' Regulations has established rules on the maximum number of companies' boards its directors may be a part of:

Yes X **No ☐**

Explanation of the rules
Article 10 of the Board of Director's Regulations establishes rules on the maximum number of companies' boards its directors may be a part of: *"**Article 10. Incompatibilities for becoming a Director*** *The following individuals cannot be Directors or, where applicable, natural person representatives of a Legal Entity Director:* *(..)* *b) Any individual acting in the position of administrator of three or more companies whose shares are traded in domestic or foreign securities markets.* *(...)"*

C.1.14 Repealed paragraph.

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	5,273
Amount of the rights accumulated by the current directors regarding pensions (thousands of euros)	1,050
Amount of the rights accumulated by the former directors regarding pensions (thousands of euros)	150

See note (C.1.15) in Section H of this report.

C.1.16 Identify the members of Senior Management who are not also executive directors, and indicate the total accrued remuneration in their favor throughout the year:

Name or company name	Position(s)
Etxeberría Muguruza, Xabier	Executive General Director
Cortajarena Manchado, José Antonio	General Corporate Director and General Secretary
Artazcoz Barrnea, Ignacio	Financial General Director
Mesonero Molina, David	Business Development Director
Zarza Yabar, Félix	Internal Audit Director

Total remuneration for Senior Management (in thousands of euros)	7,166

See note (C.1.16) in Section H of this report.

.1.17 Indicate, where applicable, the identity of the board members which, at the same time, are members of the Board of Directors of other significant shareholder companies and/or entities of its group:

Related board member's name or company name	Related, significant shareholder's name or company name	Relationship description

Detail, where relevant, the relevant relationships different from those in the previous paragraph, of the members of the Board of Directors which relate them to other significant shareholders and/or in entities of its group:

Related board member's name or company name	Related, significant shareholder's name or company name	Relationship description
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.	Compliance Director
Villalba Sánchez, Francisco Javier	IBERDROLA, S.A.	General Director of Networking Business of the Iberdrola group
Codes Calatrava, Gerardo	IBERDROLA, S.A.	Director of Global Regulation Legal Services and Corporate Affairs

See note (C.1.17) in Section H of this report.

C.1.18 Indicate if any amendment was made to the Board's regulations during the year:

Yes ☐ **No X**

Amendment description

C.1.19 Indicate the selection, appointment, re-election, evaluation and resignation of board members procedures. Detail the competent bodies, processes to be followed and the criteria to be used in each procedure.

Selection and appointment procedure:

Article 30 of the Gamesa Bylaws states that the members of the Board of Directors are "appointed or ratified by the General Shareholders Meeting" with the provision that *"if during the period for which they were appointed, the board members leave their positions, the Board of Directors may designate, from among the other shareholders, individuals who should occupy them until the next General Shareholders Meeting*", always in accordance with the provisions contained in the applicable Corporate Enterprises Act and Company Bylaws.

Moreover, in accordance with article 13.2 of the Regulations of the Board of Directors, proposals for appointing directors submitted by the Board of Directors to the General Shareholders Meeting for consideration and the appointment decisions adopted following the co-option procedure must be preceded by: (a) for Independent Directors, a proposal from the Appointments Committee; and (b) in other cases, a report from the cited committee. In this regard, article 13.3 of the cited regulations states that when the Board of Directors declines the proposal or the report from the Appointments Committee mentioned in the above section, it must justify doing so and include a record of it in the minutes.

Further, article 13.4 of the cited Regulations of the Board of Directors states that "*the provisions set forth in this chapter shall be binding notwithstanding the full freedom of the General Shareholders Meeting to decide on the appointment of directors.*"

Finally, article 14 of the cited regulations states that the Board of Directors and Appointments Committee, shall make an effort, within the sphere of their competencies, to ensure that the proposal and election of candidates falls on individuals of renowned reputation, solvency, competence and experience, adding that "*for legal entity directors, the natural person representing it in the performance of the duties related to the position will be subject to the conditions included in the previous paragraph*".

Re-election procedure:

Article 15 of the Regulations of the Board of Directors addresses the re-election of directors in that proposals for re-electing directors submitted by the Board of Directors to the General Shareholders Meeting must be accompanied by the corresponding substantiating report as established by law. The resolution of the Board of Directors to submit the re-election of Independent Directors to the General Shareholders Meeting must be adopted upon proposal of the Appointments Committee, while the re-election of other Directors must have a prior favorable report from this committee.

In this regard, section 2 of the cited article adds that directors who are part of the Appointments Committee must abstain from taking part in the deliberations and votes that affect them.

Finally, section 3 states that "*the re-election of a Director who is part of a committee or who holds an internal position on the Board of Directors or one of its committees will determine his/her continuity in this position without requiring express re-election and notwithstanding the power of revocation which corresponds to the Board of Directors.*"

Assessment procedure:

Article 25.8 of the Regulations of the Board of Directors addresses the director assessment procedure, establishing that the Board of Directors shall assess at least once yearly (a) the quality and effectiveness of its operation; (b) the performance of duties of the Chairman of the Board of Directors, and if applicable, of the CEO and Coordinating Director, based on the report submitted to the Appointments Committee; and (c) the operation of the committees based on the reports they submit to the Board of Directors.

Removal procedure:

In keeping with Company Bylaws, directors shall serve in their position for a period of four years, so long as the General Shareholders Meeting does not agree on their removal and they do not resign from their position.

Article 16 of the Regulations of the Board of Directors states that *"directors will cease their position once the period for which they were appointed has elapsed, though they may nevertheless be re-elected, and whenever the General Shareholders Meeting decides to do so as proposed by the Board of Directors or the shareholders, in the terms set forth by law.*"

The removal processes and criteria shall follow the relevant provisions in the Corporate Enterprises Act and Royal Decree 1784/1996 of 19 July, which approved the Companies Register Regulation.

Finally, section 2 of article 16 of the Regulations of the Board of Directors contemplates the circumstances in which directors must offer their position to the Board of Directors and formalize their resignation, should the Board sees fit to do so, subject to a report from the Appointments Committee.

C.1.20 Explain to which extent the annual evaluation of the Board resulted in important changes in its internal organization and the procedures applicable to its activities:

Amendment description
GAMESA has count on the support of external advisors for the assessment of the administration bodies in 2016, resulting in no changes in the internal organization and in the procedures applicable to its activities.

C.1.20.bis Describe the assessment process and areas assessed by the board of directors with the assistance, where pertinent, of an external consultant, regarding the diversity in the composition, capacities and operations thereof; composition of the board's committees; performance of the chairman of the board of directors and chief executive officer of the company; and the performance and contribution of each director.

The assessments conducted during 2016, as well as in the two previous years were carried out with the support of external consultants. The assessment process was carried out through preparatory work sessions led by the Chairman of the Appointments Committee with the participation of the directors from the cited Committee, assistance from the Secretary of the Committee and internal areas responsible for the corporate governance of the Company, the review of minutes and internal Company documentation, and, finally, through a comparative analysis with the best practices in corporate governance.

The areas assessed for the Board of Directors and Committees were the composition, operation, implementation of capacities, discharge of duties, and the relationship with other bodies. The Chairman of the Board and CEO were assessed in the same areas regarding the role's profile, implementation of capacities, discharge of duties, and the relationship with other bodies. The individual assessment of each director examined the same aspects on the profile and implementation of capacities.

C.1.20.ter Provide a breakdown, if necessary, of the business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group.

N/A

C.1.21 Indicate the circumstances in which directors are required to resign.

As established in Article 16.2 of the Board of Director's Regulations, *"directors or the natural person representing a Legal Entity Director must offer their resignation to the Board of Directors and formalize it, if the Board sees fit, subject to a report provided by the Appointments and Remuneration Committee in the following cases:*

a) Concerning Proprietary Directors, whenever these or the shareholder they represent cease to be the owners of significant stocks in the Company, as well as when such shareholders revoke representation.
b) Concerning Executive Directors, when they are removed from the executive positions associated with their appointment as Director and, in all cases, whenever the Board of Directors considers it necessary.
c) Concerning Non-executive Directors, when they join the management of the Company or of any of the companies in the Group.
d) When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards.
e) Whenever they are brought to trial for a supposedly criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Capital Company Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense brought by supervisory authorities.
f) Whenever they are issued a serious warning by the Board of Directors or are sanctioned for a serious or very serious offense by a public authority for having breached their duties as Directors in the Company.
g) Whenever their continuity on the Board of Directors could put the Company's interests at risk, or whenever the reasons for their appointment have ceased to exist.
h) When, due to acts attributable to the Director acting in his/her capacity as such, cause significant damage to the Company's assets, or the reputation of the Company, or result in the loss of the business and professional reputation and credibility required for being a Director of the Company.

See note (C.1.21) in Section H of this report.

C.1.22 Repealed paragraph.

C.1.23 Are enforced majorities other than the legal majorities required in certain kinds of decisions?

Yes X **No **

Where applicable, describe the differences.

Description of the differences
The Regulations of the Board of Directors (article 4.4) requires of at least two-thirds of the directors attending the meeting to pass amendment thereof (save for modifications imposed by mandatory standards, in which case a simple majority will be required to adopt the resolution). Article 18.3 of the Regulations of the Board of Directors stipulates that in case the position of Chairman of the Board of Directors is held by an executive director, "removal from the position of this director will require the absolute majority of the members of the Board of Directors." In addition, article 29.8 of the cited regulations states that the formalization of the contract establishing the remuneration and further terms and conditions of executive directors for the performance of management duties, must be approved by the Board of Directors with at least a favorable vote of two-thirds of its members.

C.1.24 Explain if there are specific requirements, other than those regarding directors, to be appointed chairman of the Board of Directors.

Yes ** **No X

Description of the requirements

C.1.25 Indicate if the chairman has a casting vote:

Yes X **No X **

Matters in which there is a casting vote
Article 32.4 of the By-Laws and article 28.2 of the Board of Director's Regulations establishes that *"in the event of a tie, the Chairman will have the casting vote."*

C.1.26 Indicate if the by-laws or the Board of Director's Regulations establish a limit for the age of directors:

Yes ☐ **No X**

Chairman age limit ☐

CEO age limit ☐ **Director age limit** ☐

C.1.27 Indicate if the by-laws or the Board's Regulations establish a limited term for independent directors, other than that established in the legislation:

Yes ☐ **No X**

Maximum number of term years	

C.1.28 Indicate if the bylaws or regulations of the board of directors establish specific standards for awarding a proxy vote on the board of directors, how to do so and, specifically, the maximum number of awarded proxy votes a director can have, as well as whether there is any limitation insofar as the categories that can be delegated in addition to the limitations imposed by legislation. Where applicable, detail these standards briefly.

Article 25.3 of the Regulations of the Board of Directors states that *"directors must attend the sessions held. However, Directors may cast their vote in writing or delegate in writing their representation to another Director, specifically for each meeting, and the number of representations that each Director can receive is not limited. Non-executive directors may only delegate representation to other non-executive directors."*

For the purposes of delegating votes, in all calls of the Board of Directors, the specific proxy award model for that meeting and, where applicable, voting instructions if deemed necessary by the representee are included in compliance with Article 32.2 of the by-laws of GAMESA *"Any director may cast his/her vote in writing or confer his/her representation to another director, specifically for each meeting. Non-executive directors may only do so with other non-executive directors."*

C.1.29 Indicate the number of meetings held by the Board of Directors throughout the year. Also indicate, where applicable, the times the board has met without the attendance of its chairman. Representations made with specific instructions shall be considered attendances in the calculation.

Number of board meetings	17
Number of board meetings without attendance of the chairman	0

If the chairman is executive director, indicate the number of meetings held, without the attendance or representation of any executive director and chaired by the lead independent director.

Number of meetings	0

Indicate the number of meetings held by the different board committees throughout the year:

Number of meetings of the Executive Committee	10
Number of meetings of the Audit Committee	16
Number of meetings of the Appointment and Remuneration Committee	--
Number of meetings of the Appointment Committee	6
Number of meetings of the Remuneration Committee	8
Number of meetings of the ______ committee	

C.1.30 Indicate the number of meetings held by the Board of Directors throughout the year which all of its members attended. Representations made with specific instructions shall be considered attendances in the calculation:

Number of meetings with the attendance of all directors	14
% of attendances of the total votes throughout the year	98,53%

See note (C.1.30) in Section H of this report.

C.1.31 Indicate if the individual and consolidated annual financial statements presented to the Board for their approval are previously certified:

Yes ☐ **No X**

Identify, where applicable, the person/people who certified the company's individual and consolidated annual financial statements for them to be drawn up by the Board:

Name	Position

C.1.32 Explain, if there were any, the mechanisms put in place by the Board of Directors to keep its drawn up individual and consolidated financial statements from being presented in the General Meeting with exceptions in the audit report.

In its article 6, the Audit and Compliance Committee Regulations, attributes the Audit and Compliance Committee, among others, the following competencies in relation to the account auditing:

"d)Serve as a channel of communication between the Board of Directors and the auditor, ensuring that the Board of Directors holds an annual meeting with the auditor to be informed on the work carried out, the evolution of the accounting position and the risks.

e) Request from the auditor on a regular basis information about the audit plan and its implementation and any other matters related to the audit process, as well as all other communications provided for in the current audit legislation.

f) Assess the results of each audit and the management team's response to its recommendations.

g) Review the content of audit reports before they are issued and, where applicable, the content of limited review reports on interim statements, ensuring that said content and the opinions expressed therein regarding the annual financial statements are drafted by the auditor clearly, precisely and without limitations or exceptions and, should any exist, explaining them to the shareholders."

Article 8 of the Audit and Compliance Committee Regulations shall also be pointed out, which details the following main functions of the aforementioned Committee in relation to the process of preparing the economic-financial information:

"a)Oversee the preparation, presentation and integrity of economic and financial information relating to the Company and its consolidated Group, as well as the correct delimitation of the latter.

b) With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.

c) Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.

d) Oversee compliance with legal requirements and the correct application of generally accepted accounting principles, and inform the Board of any significant changes in accounting criteria."

One of the main objectives of the reports from the Audit and Compliance Committee, presented before the entire Board prior to approval of the information is to point out those aspects which may be considered, where applicable, exceptions in the audit report of GAMESA and its Group, formulating, where applicable, the appropriate recommendations to prevent them.

It should also be noted that the External Auditor has appeared before the Audit and Compliance Committee on several occasions throughout the year which ended December 31, 2016:

- appearance on February 23, 2016 regarding drawing up the annual financial statements which refer to the year that ended on December 31, 2015.

- appearance on June 13, 2016 regarding the accounting impact of the merger operation with Siemens.

- appearance on June 20, 2016 regarding the recommendations to improve the system for internal control over financial information.

- appearance on July 26, 2016 regarding the limited review of transitional financial statements on June 30, 2016;

- appearance on December 15, 2016 regarding the most relevant aspects which were identified in the preliminary phase and regard the annual financial statements of the year which ended December 31, 2016.

C.1.33 Is the Board secretary a director?

Yes X **No X**

If the secretary is not a member of the Board fill in the following box:

Name or company name of the secretary	Representative

See note (C.1.33) in Section H of this report.

C.1.34 Repealed paragraph.

C.1.35 Indicate, if there were any, the concrete mechanisms put in place by the Company to preserve the independence of external auditors, financial analysts, the investment banks and rating agencies.

Article 6 c) of the Audit and Compliance Committee regulates the function of the aforementioned Committee regarding the independence of the external auditors establishing the following main functions:

"c) Ensure the independence of auditors. For such purposes:

i. It shall establish appropriate relations with the auditor in order to receive information on any matters that could jeopardize the latter's independence.

ii. *It shall ensure that the Company, its Group and the auditor comply with the legal provisions established to assure their independence, as well as those expressly provided for in the Company's Corporate Governance Standards.*

iii. *It shall receive annually from the auditors written confirmation of its independence (both of the audit firm as a whole and the individual members of the work team) from the Company and its Group, as well as information on additional services of any kind rendered by the auditor (or its connected entities) to the Company or any company of its Group, and the corresponding fees accrued, in accordance with current auditing legislation.*

iv. *It shall issue an annual report, which it shall submit to the Board of Directors, prior to the issue of the audit report, expressing an opinion on the independence of the auditors. In particular, the report shall refer to services other than those of auditing which the auditor, or any company of its group, has rendered to the Company or its Group in the last three years, providing an individual and joint assessment thereof.*

The report shall also deliver an opinion on compliance with the rules laid down by law and the Company's Corporate Governance Standards to guarantee the independence of auditors.

v. *It shall authorize services other than those of auditing to be rendered by the auditor, insofar as the rendering of such services is permitted by law and the Company's Corporate Governance Standards.*

vi. *In the event of resignation of an auditor, the Committee shall examine the reasons behind this."*

Regarding information to the financial analysts and investment banks, the presentation of results, and other relevant documents which the Company sends, this is done for each one simultaneously after they were sent to the CNMV.

Specifically, in compliance with the Recommendation from the CNMV dated December 22, 2005, GAMESA proceeds to announce the findings with analysts and investors with a prior notice of at least seven workdays, indicating the expected date and time for holding the meeting, as well as, where appropriate, the technical means (teleconference, webcast) through which any interested party may follow it directly.

The supporting documentation for the meeting is available through the Company's website (www.gamesacorp.com) a few minutes before it starts.

Also, a direct Spanish/English translation service is made available to the participants.

Finally, the recording of the meeting is made available to the investors on the Company's website (www.gamesacorp.com) for one month.

Likewise, *road shows* are held regularly in the most relevant countries and banking centers where individual meetings are held with all market agents. Their independence is protected by the existence of a specific representative dedicated to their service, which ensures objective, equal and non-discriminatory treatment.

At last it shall be pointed out that on September 23, 2015, the Board of Directors approved a "Policy on communications and contact with shareholders, institutional investors and voting advisors" that establishes the appropriate principles and measures that shall govern the management and supervision of the information disclosed to shareholders and the markets and the relationships with the shareholders, institutional investors and proxy advisors, with the aim to protect the exercise of its rights in the frame of the corporate interest defense.

See note (C.1.35) in Section H of this report.

C.1.36 Indicate if the Company has changed external auditors during the year. Where appropriate, identify the outgoing and incoming auditor:

Yes ☐ **No X**

Outgoing auditor	Incoming auditor

Explain the content of disagreements with the outgoing auditor if there were any:

Yes ☐ **No** ☐

Explanation of the disagreements

C.1.37 Indicate if the auditing firm carries out other tasks for the Company and/or its Group not related to auditing and in that case, declare the amount of fees received for these tasks and the percentage imposed on the fees billed to the Company and/or its Group:

Yes X **No** ☐

	Company	Group	Total
Amount for other tasks not related to auditing (thousands of euros)	44	101	145
Amount for tasks not related to auditing / Total amount billed by the auditing firm (in %)	2.49	5.70	8.19

C.1.38 Indicate if the report on the previous year's annual financial statements audit contains reservations or exceptions. Where appropriate, indicate the reasons given by the Audit Committee Chairman to explain the content and scope of these reservations or exceptions.

Yes ☐ **No X**

Explanation of the reasons

C.1.39 Indicate the number of years which the current auditing firm has carried out the audit of the Company's and/ or its Group's annual financial statements without interruption. Likewise, indicate the percentage which represents the number of years audited by the current auditing firm over the total number of years in which the annual financial statements have been audited

	Company	Group
Number of uninterrupted years	3	3

	Company	Group
No. of years audited by the current auditing firm / No. of years that the company has been audited (in %)	11,54%	11,54%

C.1.40 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having external advice:

Yes X **No X ☐**

Detail of the procedure
Article 36 of the Regulations of the Board of Directors establishes that the *"Board of Directors may request the assistance from legal, accounting and financial experts, or other external experts at the Company's expense whenever deemed necessary or beneficial for the performance of its competencies. 2. Non-executive Directors, in order to be aided in the performance of their duties, may also request contracting external experts at the Company's expense. 3. The contracting request must be drawn up by the Chairman."* Similarly, article 31 of the Regulations of the Audit and Compliance Committee establishes that *"with a view to receiving assistance in the discharge of its duties, the Committee may request the commissioning of legal, accounting and financial consultants or other experts at the expense of the company."*

The Appointments and Remuneration Committees both contemplate identically in the respective articles 22 and 21 in their Regulations that *"with a view to receiving assistance in the discharge of its duties, the Committee may request the commissioning of legal consultants or other experts at the expense of the company."*

C.1.41 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having the necessary information for preparing the meetings of the administrative bodies with enough time:

Yes X **No**

Detail of the procedure
Article 26.3 of the Regulations of the Board of Directors regulates the procedure for convening the meetings of the cited body, indicated that "*"ordinary meetings shall be convened by any written means that ensures correct receipt, and shall be authorized by the signature of the Chairman or the Secretary by order of the Chairman. The call to convene shall be a least three days in advance, will always include the meeting agenda and will be accompanied by the relevant information for the meeting. The Board of Directors may not make a decision if such information has not been made available to the Directors with the aforementioned three days advance notice. Directors may exceptionally adopt a decision even if the information was not made available within the aforementioned period if they consider it beneficial and no director opposes it."* Likewise, Article 30.2 a) of the Regulations of the Board of Directors establishes that directors are required to "*diligently inform themselves and prepare the meetings of the Board of Directors and the committees of which they are members."* Additionally, article 34 of the Regulations of the Board of Directors states that Directors *"have the right to request and the duty to call on the Company for the necessary and appropriate information for correctly discharging their duties. The right of information is also extended to the companies of the Group in the terms set forth by the law and the Corporate Governance Standards. 2. The exercise of the information powers will be channeled through the Chairman, the CEO or the Secretary of the Board of Directors."*

C.1.42 Indicate and, where appropriate detail, if the Company has established rules that require directors to inform and, where appropriate, resign in circumstances which may affect the company's credibility/standing and reputation:

Yes X **No**

Explain the rules
As indicated in previous Section C.1.21, Article 16 of the Regulations of the Board of Directors establishes the circumstances in which directors shall offer their position to the Board of Directors and formalize their resignation if the Board sees fit. These include cases which may negatively affect the company's credibility/standing and reputation. Specifically, the directors must proceed as indicated: a) *"When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards."* (article 16.2.d). b) *"Whenever they are brought to trial for an alleged criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Corporate Enterprises Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense prosecuted by supervisory authorities."* (article 16.2.e). c) *"Whenever they are issued a serious warning by the Board of Directors or sanctioned for a serious or very serious offense by a public authority for having breached their duties as directors in the company"* (article 16.2.f). d) *"Whenever their continuity on the Board of Directors may put the Company's interests at risk (...)"* (article 16.2.g). e) *"When, due to acts attributable to the director acting in his/her capacity as such, significant damage occurs to the Company's assets or reputation of the Company, or there is a loss of business, professional reputation and credibility required for being a director of the Company"* (article 16.2.h). Article 35.2 d) of the Regulations of the Board of Directors states that the director must inform the Company of "*judicial, administrative or any other kind of proceedings which are opened against the director and which, due to their importance or characteristics, may seriously affect the Company's reputation. Particularly, Directors must inform the Company, through the Chairman, if he/she is processed or a court ruling is passed against him/her regarding the opening of trial for any of the offenses contemplated in Article 213 of the Corporate Enterprises Act. In such cases, the Board of Directors will examine the case as soon as possible and make the decisions it considers to be most appropriate regarding the interests of the Company.*"

C.1.43 Indicate if any member of the Board of Directors has informed the Company that he or she has been involved in judicial proceedings or a court ruling has been passed against him/her for the opening of trial for any of the offenses mentioned in Article 213 of the Capital Companies Law:

Yes ☐ **No X**

Director name	Criminal case	Observations

Indicate if the Board of Directors has analyzed the case. If the response is yes, reasonably explain the decision made on whether or not the director continues in his/her position or, where appropriate, state the actions taken by the Board of Directors to the date of this report or that are planned.

Yes ☐ **No** ☐

Decision made/action taken	Reasonable explanation

C.1.44 Detail the significant agreements the Company has entered into which enter into force, whether amended or terminated if the Company's control is changed due to a public acquisition bid, and its effects.

In accordance with the framework agreement undersigned on December 21, 2011 (Significant Event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L. Unipersonal, the supposed change of control at GAMESA CORPORACIÓN TECNOLÓGICA, S.A. shall permit IBERDROLA, S.A. to terminate the framework agreement, without the parties having something of which to make a claim for this termination.

Likewise, in accordance to the Joint Venture agreement signed on July 7, 2014 (Significant event number 208151) between AREVA, S.A. and GAMESA CORPORACIÓN TECNOLÓGICA, S.A., among other companies in their respective groups, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. in favor of a competitor shall enable the parties of the AREVA group to finish the agreement, situation that may lead to the sale to AREVA of the participation owned by GAMESA in the Joint Venture or, as last instance, the dissolution and liquidation of the aforementioned Joint Venture company.

Lastly, on 17 December 2015, Gamesa Energía, S.A.U. (as purchaser) and GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L.; INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U.; CAF POWER & AUTOMATION, S.L.U.; and FUNDACION TECNALIA RESEARCH & INNOVATION (as sellers) signed a Stock Purchase Agreement bound to suspensory conditions regulating the acquisition of 50% of NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L. (NEM). The suspensory condition was the authorization of the CNMV and Competition Authorities as established in article 7.1.c) of the Spanish Competition Act (Law 15/2007 of 3 July). On the same date, and with a view to regulating the relationship of Gamesa Energía and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF) as future partners of NEM (as the case may be) the parties signed a Partnership Agreement. By virtue of the provisions established in the referred Partnership Agreement, in case of a possible change in the control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., Gamesa Energía, S.A.U. must offer the remaining partners direct purchase of stock in NEM.

See note (C.1.44) in Section H of this report.

C.1.45 Identify in an aggregated manner and indicate, in a detailed manner, the agreements between the companies and its administrative and management positions or employees which have severance pay, guarantee or redundancy clauses when they resign or are fired unjustly or if the contractual relationship ends due to a public acquisition bid or other kind of operations.

Number of beneficiaries	23
Type of beneficiary	**Description of the agreement**
CEO, Senior Management and Managers	A severance pay of a different amount is recognized based on the specific position occupied by the beneficiary, which mainly ranges from 12 to 24 months of fixed remuneration and the last received annual variable remuneration. This severance pay essentially applies to cases of termination for causes not attributable to the beneficiary and cases in which control of the Company changes.

Indicate if these contracts must be communicated and/or approved by the bodies of the Company or of its Group:

	Board of Directors	**General Meeting**
Body which authorizes the clauses	X	

	YES	**NO**
Is the Board informed of the clauses at the General Meeting?	X	

See note (C.1.45) in Section H of this report.

C.2 Committees of the Board of Directors

C.2.1 Detail all committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors on them:

EXECUTIVE COMMITTEE

Name	Position	Category
Martín San Vicente, Ignacio	Chairman	Executive
Arregui Ciarsolo, Juan Luis	Member	Independent External
Aldecoa Sagastasoloa, José María	Member	Independent External
Lada Díaz, Luis	Member	Independent External
Codes Calatrava, Gerardo	Member	Proprietary External

% of executive directors	20%
% of proprietary directors	20%
% of independent directors	60%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

Article 23 of the Regulations of the Board of Directors states that the Board of Directors may constitute a Delegated Executive Committee "*with all or some of the inherent powers of the Board of Directors, save powers that cannot be delegated by law or in accordance with the Corporate Governance Standards.*"

However, as an exception to the foregoing and as contemplated under article 8 of the cited regulations, when duly justified urgent circumstances arise, and as allowed by law, the Delegated Executive Committee may adopted decisions on matters reserved for the Board of Directors, which must be ratified at the first meeting held by the Board of Directors after making the decision.

Organization:

a) It shall comprise the number of Directors as decided upon by the Board of Directors, upon the proposal of the Appointments and Remuneration Committee, with a minimum of four (4) and a maximum of eight (8) Directors.

b) The Board of Directors shall ensure, to the extent possible and in view of the Company's circumstances, that the shareholding structure of the director categories is similar to the Board of Directors' structure.

c) The appointment of its members and the permanent delegation of powers thereto shall be done by the Board of Directors, and requires a favorable vote of at least two thirds of the Directors. The Board of Directors shall decide when, how and to what extent the Committee members are renewed.

d) The Chairman and the CEO, if one exists, shall be members of the Committee.

e) The meetings shall be presided over by the Chairman of the Board of Directors or, in the absence thereof, the director appointed by the Committee. This role will also be secretary of the Board of Directors, though in his/her absence, the Vice Secretary or, in the absence thereof, the individual designated by the Committee, who need not be a director, shall sit as secretary.

Operation:

a) It will meet as frequently as deemed appropriate by its chairman and, at least, every two (2) months. Meetings will be held whenever a minimum of two of the members so request.
b) Agreements shall be adopted by an absolute majority of present and represented votes. In case of a tie, the Chairman shall have the casting vote.
c) The Board of Directors must be informed during its first meeting after said meetings, of the items discussed, the decisions adopted and will send it a copy of its minutes.

Most significant actions:

The Delegated Executive Committee has discharged its duties according to the internal rules and regulations of the Company, underscoring its approval to the Board of Directors for matters that, while not constituting capacities that could not be delegated to the Board, could have been handled by the Delegated Executive Committee.

Indicate if the composition of the Executive Committee reflects the shareholding of different directors according to their condition on the Board:

Yes X **No** ☐

If no, explain the composition of your Executive Committee

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
Hernández García, Gloria	Chairman	Independent External
Rubio Reinoso, Sonsoles	Member	Proprietary External
Vázquez Egusquiza, José María	Member	Independent External
Aracama Yoldi, José María	Member	Independent External

% of executive directors	0%
% of proprietary directors	25%
% of independent directors	75%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

<u>Functions:</u>

Gamesa's Audit and Compliance Committee is a permanent internal body of the Board of Directors for information and consultation, entrusted with informing, advising and making recommendations.

Articles 5, 6, 7 8, 9, 10, 11 and 12 in chapter II of the Regulations of the Audit and Compliance Committee establish the duties of this committee. The full text of Company internal rules and regulations are available at www.gamesacorp.com

The duties of the Audit and Compliance Committee primarily refer to the oversight of the Company's internal audit, at the revision of the internal control systems for drawing up economic-financial information, auditing accounts and compliance in the terms established in its regulations.

<u>Organization:</u>

a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.

b) Members of the Executive Committee cannot be on the Audit and Compliance Committee.

c) The Board will procure that at least one of the appointed independent directors has knowledge and experience in accounting, auditing or both.

d) The Committee shall appoint a Chairperson among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.

e) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.

f) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.

b) It shall be validly constituted when more than half of its members are present or represented at the meeting.

c) Agreements shall be adopted by the absolute majority of members present at the meeting.

d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

Articles 5 through 12 of the Regulations of the Audit and Compliance Committee and Article 529 quaterdecies of the Corporate Enterprises Act limit the duties of the Audit and Compliance Committee. During 2016, the Audit and Compliance Committee was informed of all the matters within its capacity and, in this context, has satisfactorily discharged the duties assigned by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations. It shall be pointed out that one of the most significant actions during the fiscal year has been the release of its report about the merger of Gamesa with Siemens Wind Holdco in fulfillment of article 12 j) of the Audit and Compliance Committee Regulations and of the recommendation 44 of the Good Governance Code.

Identify the director member of the Audit Committee that has been appointed taking into account his/her knowledge and experience in accountancy, auditing or in both and inform about the number of years that the Chairman of this Committee is in his/her post.

Name of the director with experience	Gloria Hernández García
Number of years of the chairman in the post	Since May 27, 2015

APPOINTMENTS COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Aracama Yoldi, José María	Member	Independent External
Villalba Sánchez, Francisco Javier	Member	Proprietary External

% of executive directors	0%
% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

This committee is an internal body of the Board of Directors for information and consultation, albeit with no executive functions, entrusted with informing, advising and making recommendations regarding matters within its capacities.

Articles 5, 6 and 7 in chapter II of the *Regulations of the Appointments Committee* establish the duties of the Appointments Committee. In particular, the primary function of the Committee is to oversee the composition and functioning of the Company's Board of Directors and Senior Management.

The full text of Company internal rules and regulations are available at www.gamesacorp.com

Organization:

a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.

b) A Chairperson shall be appointed among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.

c) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.

d) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.

b) It shall be validly constituted when more than half of its members are present or represented at the meeting.

c) Agreements shall be adopted by the absolute majority of members present at the meeting.

d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2016 the Appointment Committee was informed of all the matters of its capacity and, in this context, satisfactorily discharged with the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations. It shall be pointed out as one of the most significant actions of the Appointment Committee during 2016 the selection of new Directors and in particular, the selection of the Directors whose appointment was submitted to approval at the Extraordinary Shareholders' General Meeting on October 25, 2016.

REMUNERATION COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Arregui Ciarsolo, Juan Luis	Member	Independent External
Villalba Sánchez, Francisco Javier	Member	Proprietary External

% of executive directors	0%
% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

This committee is a permanent internal body of the Board of Directors for information and consultation, entrusted with informing, advising and making recommendations.

Articles 5 and 6 in chapter II of the *Regulations of the Remuneration Committee* establish the duties of the Remuneration Committee. In particular, the essential function of the Remuneration Committee is to oversee the remuneration of the Company's Board of Directors and Senior Management.

The full text of Company internal rules and regulations are available at www.gamesacorp.com

Organization:

a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.

b) A Chairperson shall be appointed among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.

c) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.

d) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.

b) It shall be validly constituted when more than half of its members are present or represented at the meeting.

c) Agreements shall be adopted by the absolute majority of members present at the meeting.

d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2016 the Remuneration Committee was informed of all the matters of its capacity and, in this context, satisfactorily discharged with the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations.

See note (C.2.1) in Section H of this report.

C.2.2 Fill out the following table with the information related to the number of female board members on the Board of Directors' committees over the closing of the last four years:

	Number of female board members							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Executive Committee	0	0.00%	0	0.00%	1	20.00%	1	20.00%
Audit and Compliance Committee	2	50.00%	2	50.00%	1	25.00%	1	33.33%
Appointment Committee	0	0.00%	0	0.00%	N/A		N/A	
Remuneration Committee	0	0.00%	1	33.33%	N/A		N/A	

C.2.3 Repealed paragraph.

C.2.4 Repealed paragraph.

C.2.5 Indicate, where appropriate, the existence of regulations for the Board's committees, the place where they can be reached for consultation, and amendments made throughout the year. In turn, it shall be indicated whether an annual report on the activities of each committee was drawn up voluntarily.

Audit and Compliance Committee

The Audit and Compliance Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Audit and Compliance Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Regulations of the Audit and Compliance Committee were approved by the Gamesa Board of Directors on 29 September 2004 and subsequently amended on 21 October 2008. A new revised text was approved on 15 April 2011 and subsequently amended on 20 January 2012. Finally, the Company's Board of Directors approved the currently valid version of the revised text of these regulations on 24 March 2015.

In accordance with Article 12 g) of the Regulations of the Audit and Compliance Committee, this committee has the duty to draw up an annual report on its activities, submitting it to the Board of Directors for approval and subsequently made available to the shareholders at the time of notice of the Ordinary General Shareholders Meeting.

Appointments Committee

The Appointments Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Appointments Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Appointment Committee Regulations were approved by the Board of Directors of Gamesa on December 16, 2015.

Article 18 of the Regulations of the Appointments Committee establishes the obligation of said committee to draw up a yearly report on its activities to be made available to Company shareholders and investors following approval thereof by the Board of Directors at the call to convene the ordinary General Shareholders Meeting.

Remuneration Committee

The Remuneration Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Remuneration Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Remuneration Committee Regulations were approved by the Board of Directors of Gamesa on December 16, 2015.

Article 17 of the Regulations of the Remuneration Committee establishes this committee's duty to draw up a yearly report of its activities that will be made available to Company shareholders and investors following approval by the Board of Directors, for the call to convene the ordinary General Shareholders Meeting.

See note (C.2.5) in Section H of this report.

C.2.6 Repealed paragraph.

D RELATED PARTY TRANSACTIONS AND INTERGROUP TRANSACTIONS

D.1 Explain, where appropriate, the procedure for approving related party transactions and intergroup transactions.

Procedure for approving related party transactions
Article 33 of the Regulations of the Board of Directors, which regulates the transactions of the Company with shareholders holding significant stock and directors, establishes that "*the performance of any transaction by the Company with Directors or shareholders with significant participation, or who have proposed the appointment of any Director of the Company, is subject to the approval of the Board of Directors or the General Shareholders Meeting following a report from the Audit and Compliance Committee and in the terms established by law.* *If there are transactions that fall within a general line of business and are of a habitual or recurring nature, a general and prior authorization of the line of transactions by the Board of Directors will suffice.* *Transactions must be made in market conditions and in observance of the principle of equal treatment of shareholders.*" In this regard, article 12 a) of the Regulations of the Audit and Compliance Committee refers to the report that the Audit and Compliance Committee must submit with the operations or transactions that could represent a conflict of interests.

D.2 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the Company's significant shareholders:

Significant shareholder's name or company name	Name or company name of the company or entity of its group	Type of relationship	Type of transaction	Amount (thousands of euros)
IBERDROLA, S.A.	GAMESA EÓLICA, S.L.U.	Contractual	Sale of assets	596,662

See note (D.2) in Section H of this report.

D.3 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the company's administrators or managers:

Name or company name of the administrators or managers	Name or company name of the related party	Relation	Type of transaction	Amount (thousands of euros)

D.4 Report on the significant transactions made by the Company with other entities belonging to the same group, whenever they are not deleted in the process of drawing up the consolidated financial statements and do not form part of the normal traffic of the Company regarding its purpose and conditions.

In any case, any intergroup transaction made with entities established in countries or regions which are considered a tax haven shall be reported:

Company name of the entity in its group	Brief description of the transaction	Amount (thousands of euros)

See note (D.4) in Section H of this report.

D.5 Indicate the amount of transactions made with other related parties.

97,704 thousand euros.

See note (D.5) in Section H of this report.

D.6 Detail the mechanisms put in place to detect, determine and resolve any conflicts of interest between the Company and/or its Group, and its directors, executives or significant shareholders.

Mechanisms:

a) *Possible conflicts of interest between the Company and/or its Group, and its directors*:

Article 31 of the Regulations of the Board of Directors regulates the conflicts of interest between the Company or any other company of its Group and its directors. In particular, paragraphs 1 and 2 define the situations in which a director has a conflict of interest and lists persons who, given that they are considered linked thereto, could generate situations of conflicts of interest.

Likewise, the following sections in this article regulate the mechanisms for resolving situations of conflict of interest. In particular, paragraphs 3 and 4 establish that 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 refrain from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters affecting the conflict. The votes of Directors affected by the conflict and who, therefore, had to abstain, will not be taken into account for calculating the required majority of votes to adopt a corresponding resolution.

The following paragraph in article 31 of the Regulations of the Board of Directors clarifies that "in unique cases, the Board of Directors or the General Shareholders Meeting, as appropriate and in accordance with the terms provided by law, may waive the prohibitions arising from the duty to avoid conflicts of interest". Further, paragraph specifies that such waive shall follow the corresponding report from the (a) Audit and Compliance Committee on the operation vulnerable to a potential conflict of interest, proposing the adoption of an agreement in this regard, or from the (b) Appointments or Remuneration Committee when referring to waiving the performance of contractual obligations.

Paragraph 7 of the cited article states that "the Chairman of the Board of Directors must include the transaction and the conflict of interest in question on the agenda of the next corresponding meeting of the Board of Directors so that it may adopt a resolution as soon as possible regarding the issue, on the basis of the report drawn up by the corresponding committee, deciding whether to approve the transaction, or the alternative that may have been proposed, as well as the specific measures to be adopted."

Finally, paragraphs 8 and 9 states that the Company's annual corporate governance report shall include conflict-of-interest situations involving directors or persons related thereto, and that the report of the annual financial statements shall detail the operations in conflict of interest that have been authorized by the Board of Directors, as well as any other existing conflict of interest pursuant to the provisions of current legislation during the financial year of the financial statements.

b) *Possible conflicts of interest between the Company and/or its Group, and its managers:*

Company and Group senior management and professionals who, given their activities or information to which they may have access, are classified as Affected Persons (as defined in article 6 of Gamesa's Internal Regulations for Conduct in the Securities Markets) by the Ethics and Compliance Division, will be subject to the Internal Regulations for Conduct in the Securities Markets, whose most recently revised version was approved on 24 March 2015.

In this regard, article 20 of the Internal Regulations for Conduct in the Securities Markets establishes that managers and professionals considered to be Affected Persons must immediately inform their supervisor or senior manager or the Ethics and Compliance Division of situations that could potentially give rise to a conflict of interest and keep such bodies permanently up to date with regard to said situations. Any concerns regarding the actual existence of a conflict of interest must be addressed with the Ethics and Compliance Division.

c) *Possible conflicts of interest between the company and/or its group and significant shareholders:*

The procedure for resolution of conflicts of interest with significant shareholders is stipulated in article 33 of the Regulations of the Board of Directors, according to which any operation between the Company and a significant shareholder "is subject to the approval of the Board of Directors or the General Shareholders Meeting following a report from the Audit and Compliance Committee and in the terms established by law."

The cited articled states that if the previous transactions fall within the ordinary course of business and are of a regular or recurring nature, "a generic and prior authorization of the line of transactions by the Board of Directors will suffice."

In any case, "transactions must be made in market conditions and in observance of the principle of equal treatment of shareholders."

d) *Relationships of the directors and/or significant shareholders with companies of the Group:*

Article 37 of the Regulations of the Board of Directors states that the obligations referred to in Chapter IX therein regarding Company directors and shareholders holding significant stock shall also be construed as applicable, similarly, insofar as the possible relationships between Gamesa and companies integrated in the Group.

D.7 Do you list more than one company of the Group in Spain?

Yes ☐ **No X**

Identify the subsidiary companies listed in Spain:

Listed subsidiary companies

Identify if the respective areas of activity and possible business relationships between them, as well as relationships between the listed subsidiary and other Group companies have been accurately and publicly defined;

Yes ☐ **No** ☐

Define any business relationships with the parent company and listed subsidiary company, and between it and other companies of the Group

Identify the mechanisms in place for resolving any conflicts of interest between the listed subsidiary and other companies of the Group:

Mechanisms for resolving possible conflicts of interest

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System, including tax-related risks.

Gamesa has some **Risk Control and Management Systems** encompassed within the standards of **Corporate Governance** within an internal benchmark framework that we refer to as **ERM** (Enterprise Risk Management). ERM is considered to be the highest level on the basis of, firstly, the guidelines established in the Regulations of the Board of Directors (Arts. 6 and 7) and of the delegated Committees thereof, primarily in the Regulations of the Audit and Compliance Committee (Arts. 9 and 11); and secondly, in international methods of recognized repute (COSO, ISO/CD 31000 and *EFQM*).

The **Risk Control and Management Systems in ERM** are promoted by the Board of Directors and Senior Management, implemented throughout the entire organization and, following the strategic globalization line of the industrial, technological and commercial activities in the different geographic areas in which they operate, developing a global and integral vision in these systems, contribute to meeting business objectives, creating value for the different groups of interest and to the sustainable and profitable development of the organization.

The basis for these systems is contained in the **General Risk Control and Management Policy**, initially approved by the Board of Directors on 22 April 2009 and last revised on 23 September 2015. This policy lays the foundation and general context for key ERM elements, which are summarized below. All Company Risk Management systems (global, specific or multidisciplinary) are in line with the following 12 elements to the largest extent possible:

- **ERM 1: The policy** is the essential element providing a consistent structure so that both global and specific systems operate in adherence to common principles (management objectives and philosophy, identification process, assessment, measurement and risk control, accepted risk level, communication, reporting and supervision executed by the Board of Directors and the Audit and Compliance Committee, integrity, ethics, competence and assignment of liabilities).

- **ERM 2:** The systems are applied through an **organization** built upon **four levels of protection and defense** to face and manage significant risks.

- **ERM 3:** The systems are backed by a standard universal risk classification model using a common language in the company referred to as **"Business Risk Model (BRM/BOM)"**, initially approved by the Board of Directors in 2004 and its most recent update (through the Policy in 2015). BRM classifies risks and opportunities into 4 groups, which are in turn subdivided into various subcategories: (1) corporate governance, ethics and compliance risks, (2) strategic and environmental risks, (3) processing risks and (4) risks associated with information for making decisions or legal requirements.

- **ERM 4 and 5:** Establishing the internal and external contexts in which Gamesa carries out activities, with a **proactive and integrated** risk management, **risk tolerance limits and permanent controls** through specific policies and indicators, in which regard the achievement of the valid Business Plan objectives will always be part of these limits and controls together with conduct that remains at all times in strict compliance with the law and the Company's Corporate Governance Standards, and, in particular, the values and standards of conduct contemplated in the Codes of Conduct, principles and good practices of the *Corporate tax policy*, and under the principle of "zero tolerance" regarding the perpetration of crimes and situations of fraud as stipulated in the *Crime Prevention and Fraud Policy.*

- **ERM 6, 7 and 8**: Encompassed entirely by a **global risk management process and diverse sub-processes** that support the **"Top down"-"Bottom up" approach** throughout the entire organization, representing corporate and regional **risk maps** backed by specific risk management systems and the appropriate consistency between "micro- and macro-risks". In this context, continuous identification and analysis of relevant risks and threats (including financial, tax-related, operating, strategic and legal risks, in addition to other associated risks with activities, processes, projects, products and key services); impact assessment, likelihood and degree of control, establishing maps as tools to take action, supervise and communicate risk management.

- **ERM 9: Engagement strategies** (which, depending on the risk type and priority, mitigate, transfer, share and/or forestall risks while shoring up the attainment of opportunities), establishing the appropriate scaling and assignment of management liabilities. Any engagement aimed at controlling and mitigating risks attending to the basic principles of engagement in section 4 of the policy.

- **ERM 10, 11 and 12:** The foregoing backed by some elements across the entire ERM Framework, such as computer tools and IT platforms, audits, preventive observations, Reviews by Management, management of events, training, awareness-raising and activities to promote a culture of risk management.

Risk management in Gamesa's ERM develops on the basis of the application of the principle of continual improvement, audits, self-assessments, benchmarking and through the consideration of bellwethers of recognized repute, in which regard the appraisal conducted by Euskalit in 2016 on Gamesa's global management (and therefore the ERM therein) in accordance with the advanced management model is particularly salient (Gamesa's management model secured a gold level recognition).

E.2 Identify the bodies of the Company that are responsible for developing and implementing the Risk Management System, including tax-related risks.

As the Company's top decision-making, oversight and control level, the **Board of Directors** examines and authorizes all relevant operations. It is also responsible for establishing the general policies and strategies, including the Company's risk control and management policy and tax strategy, and likewise oversee and implement the supervision of internal information and control systems.

The Company's Risk Control and Management Systems are applied through an **organization structured into four tiers of protection and defense** to face and manage significant risks, namely:

1. Risk management ownership

The Group's **Management Committee** and **Executive Committee** are responsible, inter alias, for:

- Conducting a comprehensive risk control and management in business and decision-making processes as proprietors of the risks associated with the activities, processes, projects, products and services of the business lines across all geographic areas in which the Company operates.

- Maintaining a suitable continuous risk assessment process, securing the identification, assessment and response (leading the definition and implementation of action plans) vis-à-vis the risks that could affect the attainment of Company objectives. Various risk management collaborators may be involved to carry out this duty.

- Guaranteeing compliance with the procedures concerning risk control and management, ensuring that Gamesa personnel know the risk and control environment of each process affecting them, and adopting the measures necessary or the dissemination of and compliance with the General Risk Control and Management Policy by assigning the necessary resources (human, technological and financial).

Further duties of the Group responsible for creating and executing control and risk management systems are:

- **Committees of each region**: As proprietors of the regional risks, they have duties at this level that are similar to those of the Group's Management Committee.

- **General Finance Division:** In accordance with the Investment and Financing Policy, it centralizes financial risk management throughout the Gamesa Group.

- **Tax Department**: Reporting to the General Finance Division, it ensures compliance with the tax strategy and policy, apprising control and oversight bodies of tax-related criteria and policies applied during the year and the tax risk control. This role manages and ensures due compliance with the tax obligations throughout the Group, assuring that all tax-related decisions are duly substantiated and documented, and are adopted on the appropriate levels in the organization.

2. Tracking and compliance

- **Risk Control Department (BRC)**: Reporting to the Internal Audit Division, it participates in defining the risk strategy, good operation and efficiency of the control systems and in mitigating the detected risks; and ensures that the executive line evaluates everything related to the risks of the company, including the operational, technological, legal, social, environmental, political and reputational risks.

- **Ethics and Compliance Division:** Reporting directly to the Audit and Compliance Committee, this division applies the Code of Conduct and Internal Regulations for Conduct in the Securities Markets, and supervises the implementation and compliance with the Crime Prevention and Fraud Policy and manuals.

3. Independent assurance

Internal Audit Division: Directly linked to the Board of Directors, on which it functionally depends through the Audit and Compliance Committee, which allows it to guarantee the independence of its actions.

This division informs, advises and reports to the Audit and Compliance Committee on the risks associated with the balance sheet and the functional activity areas with the existing identification, measurement and control thereof. It therefore executes the annual Internal Audit work plan, reporting the activities executed from this plan and the incidents arising.

4. Supervision

The Board of Directors entrusts the **Group's Audit and Compliance Committee** with duties including:

- Ensure the independence and effectiveness of the Internal Audit, and regularly review the effectiveness of the internal risk control and management systems, including tax-related risks, to properly identify, analyze and report the main risks.

- Ensure that the risk control and management policies identify the different risk types (operational, technological, financial, legal, tax-related, reputational, etc.) affecting the Company and its group, including financial or economic risks, contingent liabilities and other off balance sheet risks, in addition to the risk levels that the Company and the Gamesa Group consider to be acceptable according to the Corporate Governance Standards and the measures contemplated for mitigating the impact of identified risks in case they materialize.

- Inform the Board of Directors, based on the information received from the manager of tax matters, of the tax policies applied by the company and, for operations or matters that must be approved by the Board of Directors, of the fiscal consequences when they constitute a relevant risk factor.

E.3 Indicate the principal risks, including tax-related risks, that could affect the achievement of the business objectives.

In the deployment of the company's strategic and operational planning, Gamesa faces a broad range of risks inherent to the sector in which it carries out its activities and in countries where it operates that could affect the achievement of business objectives.

In general, the Policy defines the term "risk" to be any threat that an event, action or omission could prevent the Gamesa Group from achieving its business objectives and executing its strategies successfully, hence the Risk Control and Management Systems are clearly linked to the strategic planning process and setting of company objectives.

Below is a brief summary of the main risks that could affect the achievement of the objectives set out in the 2015-2017 Business Plan and were monitored in 2016.

- Risks that could affect the objective of "**Solid competitive positioning. Profiting from opportunities for growth in emerging and mature markets**":

  - Market risks arising from price volatility and other variables such as exchange rates.

  - Country-related risks where social-political conditions could affect the interests of Gamesa, and more global risks arising from macroeconomic factors, natural disasters, health and other emerging threats.

  - Tax-related risks arising from local and/or global requirements and direct or indirect burdens.

- Risks that could impact the objective of **"Balance control. Maintaining balance soundness**", including the results:

  - Relevant matters in the activity that could cause asset deterioration.

  - Operational risks (financial and non-financial, including yet not restricted to technology-related, legal, social, environmental, health and safety, information-based and supply chain related risks) that could be incurred in losses as a consequence of the non-existence of inappropriateness of procedures, human resources and systems, or external events and technological failures, etc.

  - Controlling cash flow and structure, continuously improving variable costs.

- Risks that could affect the objective of **"Competitiveness of the portfolio of products and services. Working on the competitiveness of the portfolio of products and services, improving positioning in mature markets**":

  - Competitiveness of the portfolio of products and services: optimization of the launch curve and return on investment in terms of Cost of Energy (CoE) and the contribution margin of new developments.

  - Added-value product developments.

- Risks that could affect the objective of **"Growth beyond 2017**":

  - Continual analysis of the environment and new opportunities: *onshore*, *offshore*, new businesses. Merger agreement with Siemens to create a global leader. Solid strategic rationale with complementary aspects in platforms, markets, businesses, operating capacities and management capabilities.

  - Offshore business development (tracking of the balance control objective).

  - Pressure on prices that solar power and other energy sources and competitors put on wind power

Additionally, monitoring continues on global threats and further risks that, while not directly affecting the achievement of business objectives, nevertheless comprise priority areas for Gamesa, including: environmental care and climate change; risks related to "information system environments such as cyberattacks and system continuity", and other risks related with Corporate Social Responsibility (CSR), e.g., risks affecting the CSR of the supply chain.

The Management Report in the annual report corresponding to 2016 contains a description of the risks associated with Gamesa activities.

E.4 Identify whether the entity has a risk tolerance level, including tax-related risks.

The Risk Management and Control Procedure, which identifies, assesses, prioritizes, controls and manages the risks to which Gamesa is exposed, and decides to what extent such specific risks are acceptable, mitigated, transferred or prevented; was approved and incorporated in the certified management system in 2008 and most recently updated in 2016 to align it with the changes in the Policy and with the risk tolerance concepts extracted from the best practices published by Instituto de Auditores Internos. In this regard, Gamesa has reinforced the concepts of "risk appetite", "risk tolerance" and "risk capacity" during its training sessions throughout 2016.

The risk strategy and tolerance are established by Senior Management based on quantitative variables (indicators) or qualitative variables that let them establish the amount of risk that the company is willing to assume to reach its objectives. The tolerance is updated regularly and at least whenever there are changes in the strategy and/or policies.

Gamesa essentially has 3 ways of establishing risk tolerance levels, which are complementary to one another:

- The Company declares its risk tolerance level through specific and regularly revised policies and internal rules and regulations, including:
  - General Risk Control and Management Policy
  - Corporate Tax Policy
  - Investment and Financing Policy (exchange rate, credit and interest risks)
  - Gamesa Excellence Policy (Health & Safety, environmental respect, quality and energy efficiency)
  - Code of Conduct
  - Crime Prevention and Fraud Policy
- The establishment of objectives or in conformity with strategic regularity for indicators used in monitoring some risks:
  - EBITDA, EBIT, net amount of the business figure, financial expenses, net financial debt, own funds, CAPEX.
  - MW sold (units, type of product/platform, geographical area, etc.), MW in maintenance, contracts signed, quantity and quality of the MW in stock, MW installed in farms, MW in construction.
  - Non-quality costs, target costs, margin of contribution.
  - Frequency index, severity index.

- The use of metrics established in the Risk Control and Management Procedure for assessing the impact according to a series of criteria so that the result, once combined with their likelihood of occurrence, can assess risks as high or moderate when they are considered to exceed the tolerance and thus require mitigation plans. For a certain risk identified and assessed as elevated or moderate, and for which there is also a risk limit that has been or is expected to be exceeded, as many mitigation actions as necessary should be established until the risk returns to its tolerance level.

Following the revision and update of the Risk Control and Management Policy in September 2015, responsibilities received additional definitions insofar as high-levels risk tolerance levels or ones that should be applied to the entire group. Some salient aspects of this revision:

- The Board of Directors approves the specific policies from which the risk levels that the Corporation considers acceptable are derived (risk tolerance criteria) and are aimed at maximizing and protecting the economic value of Gamesa within a controlled variability.

- Gamesa's Delegated Executive Committee will define the specific numerical values for the risk limits stated in the specific policies and/or in the annually set objectives and may decide to modify these values and authorize that, exceptionally, they are exceeded, after a report to the Audit and Compliance Committee, taking into account the proposals of the affected departments. In this context, Gamesa's Delegated Executive Committee defined the specific numeric values of the risk limits associated with the Investment and Financing Policy in 2016.

- The Audit and Compliance Committee ensures that the risk control and management policies identify the risk levels that the company considers acceptable in accordance with its Corporate Governance Standards.

- In accordance with these guidelines, each Group company must approve, in their corresponding governing bodies, the specific risk limits applicable to each one and implement the necessary control mechanisms to ensure compliance with the general policy for risk control and management and the specific limits that affect them.

Once the risks (including tax-related risks) threatening achievement of the objective have been identified, the risk owners or their delegated parties, backed by the Risk Control Department and other support roles, assess these risks with a view to ascertaining their priority and measuring the levels of exposure in terms of tolerance levels to thus establish the required treatment (risk mitigation plans).

In this context, Gamesa undertakes continuous tracking of the exposure levels regarding the risks constituting the BRM model with different frequencies depending on the variability of the risk and ones that are more relevant or significant, i.e., risks that could compromise the achievement of business objectives and affect economic profitability, financial solvency, corporate reputation, integrity of employees and environment, and compliance with legislation.

E.5 Indicate the risks, including tax-related risks, arising during the period.

There was no record in 2016 of material or extraordinary risks aside from those already listed in the management report and annual financial statements report. In any case, there is no record of risks compromising the integrity of the results, strategic objectives or assets of the Company.

The circumstances that, as the case may be, have brought about the occurrence of such risks are inherent to the carrying out of the business, market environment and economic juncture, and the mitigation and control systems set up in the different areas have worked appropriately, and the risks inherent thereto generated no significant incidents in the organization during the last year.

E.6 Explain the response and supervision plans for the main risks of the entity, included tax-related risks.

The geographic and business diversity of Gamesa calls for response and supervision plans for risk (including tax-related) at different levels, all of which globally and uniformly undergo regular supervision by the Management Committee and the Audit and Compliance Committee.

The following are salient as permanent control, supervision and response actions:

- Control exercised by business unit and geographical area managers of the Management Committee with respect to the evolution of the risk maps and mitigation plans.
- Reports to the Audit and Compliance Committee regarding developments in the corporate risk map and individually for significant risks during 2016, in appearances by executives, including the ones focused on supervising specific risk control systems and on risks that are financial (accounts receivable, cash and exchange rates), balance, tax-related, service business unit-related, legal, ethics and compliance in nature.
- Operational risk insurance with annual updates and revision of coverage.
- Diverse financial risk coverages (e.g., volatility of interest and exchange rates) with financial instruments (derivatives).
- External certificates for some management systems covering the control of some specific risks such as occupational risk prevention (in accordance with OHSAS18001), environmental risks (in accordance with ISO 14001) and quality-related risks (in accordance with ISO9001).
- Financial-economic information reliability risks (including risk of fraud) under the ICFR system.
- Continuous training in risk management for managers and executives: various training sessions were given to 159 managers and executives (first line of defense) in 2016 on the general risk control and management policy, general ERM framework and integrated risk management methods.
- Regarding awareness-raising and the culture of integrated risk management for the entire staff, it is pertinent to indicate the general dissemination regarding rule 3.25 concerning risk management in the Code of Conduct, which was shared with everyone through the sessions held in 2016 concerning this Code (Rule 3.25 states that Group Professionals must have proactive roles in the culture of risk prevention within the scope and breathe of their functions through integrated risk management in their activities and projects, and indicates and enumerates their corresponding principles of engagement). Refer to the sessions regarding

the Code indicated in section F.

- Internal audits of significant risks and communication of the corresponding reports to the Management Committee and the Audit and Compliance Committee.

The following are particularly salient among the particular response and supervision actions applying to significant risks (whether materialized or not):

- Plans for risks that could affect the objective of "Solid competitive positioning. Profiting from opportunities for growth in emerging and mature markets":

  - Exchange rate: Mechanisms for managing coverage of the risk associated with transactions in the main currencies in which the Company operates; Defining and continuously monitoring new indicators; Revising the principles for managing exchange rate coverage, aligned with the updated/approved limits.

  - Country Risk: Geographic and client diversification; Local supply chains strengthening and/or development; Recurring and occasional steps taken to guarantee the safety and security of persons and assets in the countries where the Company operates and generate security alerts (social, natural, health).

  - Fiscal risks: Regular reporting to management and oversight bodies of the Company regarding compliance with good tax practices applied in relation to tax-related risk prevention and concerning Public Tax Authorities; Application of the Corporate Tax Policy and improvement in the organizational structure and execution and control processes and procedures, tax-related risk management. identification of risks per region, and definition and tracking of the actions defined for mitigating said risks.

  - Consolidation of the sector and competition: Creation of the agreement with Siemens; Analysis and surveillance of movements in the sector.

- Plans for risks that could impact the objective of "Balance control. Maintaining balance soundness":

  - Continuous monitoring of the cash flow and relevant matters that could cause deterioration of assets. In this regard, the potential deterioration are addressed in the report of the 2016 financial statements.

  - Tracking and control of financial needs and the resulting compliance with *covenants*.

- Plans for risks that could affect the objective of "Competitiveness of the portfolio of products and services. Working on portfolio competitiveness, improving the ranking in mature markets":

  - Strict control of compliance with product development plans (time, cost, quality, return on investment).

  - Cost reduction and continuous improvement plan, seeking to improve profitability in terms of Cost of Energy (CoE) and contribution margin.

  - Make/buy decisions and specific projects for components.

- Plans for risks that could affect the objective of "Growth beyond 2017":
  - Regular monitoring by the different areas of the Company on regulatory developments, market aspects and demand.
  - Control of policy changes affecting renewable energies.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE PROCESS FOR ISSUING FINANCIAL INFORMATION (FIICS)

Describes the mechanisms that make up the internal control and Risk Management Systems related to the process for issuing the financial information (FIICS) of the entity.

F.1 **Entity control setting**

A report indicating the main features of at least the following:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

In accordance with the Bylaws of the Company, the Board of Directors shall be responsible specifically for drawing up the financial statements and the management report which correspond to both the Company and its consolidated Group, proposal for the application of results, and overseeing and approving the regular financial information that should be made public in the company's condition as a publicly traded company.

Within this framework, the ultimate responsibility therefore corresponds to the Gamesa Board of Directors for guaranteeing the existence and maintenance of an adequate ICFRS, the supervision of which, in accordance with the competences established in the Regulations of the Board of Directors and in the Regulations of the Audit and Compliance Committee, are delegated to it; and which also makes the design, implementation and maintenance of which the responsibility of the Group's Management, through its Management Control Department and Finance Department.

At the same time, the function of Internal Audit and Business Risk Control, in support of the Audit and Compliance Committee, is to promote the control of reliability of financial information through its direct access to said Committee as well as the fulfillment of its annual work plans.

The Regulations of the Audit and Compliance Committee establishes the committee's scope of competence to encompass supervision of the internal control system and risk management systems, and joint analysis with external auditors of significant internal control weaknesses detected, if any, during the audit, and the supervision of the procedure for preparing and submitting regulated financial information.

The duties of the Audit and Compliance Committee regarding the drawing up of regulated financial information includes yet is not restricted to the following:

- Oversee the preparation, presentation and integrity of economic and financial information relating to the Company and its consolidated Group, as well as the correct delimitation of the latter.
- With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.

- Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.

- Oversee compliance with legal requirements and the correct application of generally accepted accounting principles, and inform the Board of any significant changes in accounting criteria.

Regarding the internal risk control and management policy:

- Periodically reviewing the effectiveness of internal control and risk management systems, including those related to tax, in order to adequately identify, analyze and report on the key risks, as well as to collaborate with the auditors in analyzing the significant weaknesses in the internal control system detected when carrying out the audit.

- Review all risk policies and propose amendments thereof, or the adoption of new policies to the Board of Directors.

- Ensure that policies on the control and management of risks identify at least:

  - The different types of risk (operational, technological, financial, legal, fiscal, reputational, etc.) affecting the Company and its Group, including financial or economic risks, contingent liabilities and other off-balance sheet risks.

  - The levels of risk that the Company and the Gamesa Group deem acceptable in accordance with the Corporate Governance Standards.

  - The planned measures to mitigate the impact of identified risks, should they materialize.

  - The information and internal control systems used to control and manage risks.

- Ensuring that the risk department participates in defining the risk strategy, in the correct functioning and effectiveness of the control systems and in mitigating the risks detected.

Gamesa has had an Internal Financial Information Control Unit in place since 2015. This unit reports to the Finance Division and has the following duties:

- Ensure a centralized administration of the system enabling harmonized operations and supervision throughout the group.

- Define system methodology and criteria.

- Guarantee the maintenance, tracking and improvement of the system.

- Document and update the main aspects regarding the maintenance and improvement of the ICFRS.

F.1.2. If they exist, especially regarding the process for drawing up financial information, the following elements:

- Departments and/or mechanisms responsible: (i) for the design and review of the organizational structure; (ii) for clearly defining the lines of responsibility and authority, adequately delegating tasks and functions; and (iii) for ensuring that sufficient procedures are in place for correct dissemination within the entity.

  Regarding the definition of the organizational structure, the Regulations of the Board of Directors establish that the Appointments Committee must report to the Board of Directors regarding the proposals for appointment and dismissal of Senior Management, and the Remuneration Committee must report, prior to their approval by the Board, regarding their remuneration conditions and terms and conditions of their employment contracts.

  The Management Committee of the Group is responsible for defining, designing and revising the organizational structure. It also assigns functions and tasks, guarantees adequate separation of functions and ensures that the areas of the different departments are coordinated in order to meet the Company objectives.

  Furthermore, the Human Resources Division is responsible for supervising the Company organizational design and ensuring its homogeneity between the different geographical areas. The Communications Division is responsible for communicating changes related to organization through the corporate intranet.

  The Human Resources Division also maintains and publishes the detailed organizational chart of the Company on the corporate intranet through the Who's Who? service. This tool is the interactive directory of the Company that is used to encourage and facilitate communication between employees and make the organizational structure more accessible. The tool also ensures access to updated information used to locate and physically and functionally identify workers.

  For the purpose of drawing up financial information, the Group has clearly defined lines of authority and responsibility. The General Finance Division (GFD) has the main responsibility for drawing up financial information.

  The General Finance Division ensures the existence and correct dissemination throughout the Group of the internal control policies and procedures necessary to guarantee that the process of drawing up financial information is reliable. Moreover, the General Finance Division schedules the key dates and reviews to conduct by each responsible area.

The Group has financial organizational structures adapted to local needs in every region where it operates headed by a Financial Director, whose duties include yet are not limited to the following:

- Design and establish local organizational structures appropriate for developing the assigned financial tasks.
- Integrate Group-defined corporate financial policies into local management.
- Adapt corporate accounting and management systems to local needs.
- Comply with the procedures delimited within the Group's Internal Control over Financial Reporting System (ICFRS) and guarantee the proper separations of functions at the local level.
- Implement and maintain the control models through corporate technology tools.

In particular and referring to the model for the Financial Information Internal Control System, the existing organizational structure has sufficient resources for proper operation thereof with centralized guidelines that are controlled and supervised at a central level at the group, but with local implementation in each region to expand processes considered to be key for the Company in depth.

To ensure that the model works properly at the regional and corporate levels, the organization contemplates professionals having different roles and profiles in the capacity of:

- ICFRS Managers
- Process risk managers
- Control activity executors and supervisors

This is therefore a shared responsibility developed at the regional and general group levels for which any discrepancies will be resolved by a Committee in its role as a regulator.

- Code of Conduct, approving body, level of dissemination and instruction, principles and values included (indicating if there is specific mention of the record of operations and drawing up of financial information), body responsible for analyzing breaches and proposing corrective actions and penalties.

The purpose of Gamesa's Code of Conduct, approved by its Board of Directors on 5 April 2016 is to consolidate a universally accepted form of business ethics and to formally and expressly set forth the values, principles, attitudes and standards governing the conduct of the companies which make up the Group and the people subject to this Code during the fulfillment of their functions and in their work, commercial and professional relationships.

The Code of Conduct is available in several languages and copies of it are disseminated among its intended recipients and posted on the corporate website (www.gamesacorp.com) and intranet in the area reserved for the Ethics and Compliance Division. The Code is open to the possibility of any other medium of dissemination.

Among the principles and values included in the Code, general conduct rule 3.11 expressly states that the information conveyed to shareholders will be transparent, clear, truthful, complete, consistent, simultaneous and adhere to the principles of the Communication and contact policy regarding shareholders, institutional investors and vote advisers, which pertains the Corporate Governance standards.

In particular, general conduct standard 3.24 of the aforementioned Code expressly indicates that "the economic-financial information of GAMESA and its Group - in particular, the financial statements - is a faithful reflection of its economic, financial and equity-related reality, in accordance with generally accepted accounting principles and applicable international standards on financial reporting. For these purposes, no Group Professional shall hide or distort the information in the records and accounting reports of GAMESA or its Group, which shall be complete, accurate and truthful. Group professionals will apply the controls established by the Internal Control over Financial Reporting System (ICFRS) at all Group companies and in their respective fields of responsibility for the purpose of ensuring the reliability of Company financial information".

The Ethics and Compliance Division functionally reports to the Audit and Compliance Committee and some of its responsibilities regarding the Code of Conduct include yet are not restricted to revising and regularly updating the code, addressing concerns that could arise, and receiving questions or complaints regarding unethical actions, actions lacking in integrity or against the principles included therein.

Finally, general standard 3.25 in the Code of Conduct also expressly refers to the principles and values concerning risk management in connection with the general risk management and control policy, sets forth that Group Professionals, within the scope of their duties, must be proactive agents in the culture of risk prevention through the integrated management of risks in their activities and projects, and further specifies and details the corresponding principles of engagement.

- Whistleblower channel, for notifying the audit committee of financial or accounting-related irregularities, in addition to possible noncompliance with the Code of Conduct and illegal activities in the organization, and informing whether they are confidential in nature, when applicable.

According to the Code of Conduct and Article 10.g of the Regulations of the Audit and Compliance Committee regarding the functions of this Committee insofar as Corporate Governance, Gamesa has enabled the Whistleblower Channel as a mechanism enabling employees to confidentially report significant irregularities, including yet not restricted to, and as expressly indicated thereby, finance and accounting-related irregularities detected within the company.

The Audit and Compliance Committee is responsible for establishing and supervising the Whistleblower Channel through the Ethics and Compliance Division, which Gamesa manages according to the conditions and powers set forth in the written procedure regulating the "Whistleblower Channel Operating Rules" as part of the internal regulations, which set out its operation and conditions for use, access, scope and other aspects.

In accordance with our internal regulations, a function of the Ethics and Compliance Division as regards the Code of Conduct/Whistleblower Channel is to evaluate the level of compliance with the Code of Conduct and draw up a report thereon for submission to the Audit and Compliance Committee, informing on suggestions, concerns, proposals and non-compliance.

Upon receipt of a written complaint with a series of requirements and minimum content, the Ethics and Compliance Division decides whether to process or file the complaint.

Should signs of a potential infringement of the Code of Conduct appear, a case file will be processed confidentially and may initiate as many actions as may be required, especially interviews with the people involved and witnesses or third parties considered capable of providing useful information. Other roles within the Company may be called on, as appropriate, to provide assistance.

Having processed the complaint, the Ethics and Compliance Division will draw up a report, establishing predefined deadlines for the conclusion thereof, content and method of communication.

The Human Resources Division establishes the pertinent disciplinary measures for Code of Conduct infringement cases that should in any case be equitable to the severity of said infringements.

If upon processing the disciplinary proceeding and drafting the report, the Ethics and Compliance Division concludes that signs of illegal conduct exist, the competent legal or administrative authorities will be notified.

- Periodical training programs and updates for personnel involved in drawing up and reviewing financial information, and assessing the ICFRS, that shall at least include accounting standards, auditing, internal control and risk management.

  Gamesa has global procedures and processes for contracting personnel to identify and define all milestones of the selection and contracting process used to guarantee that new employees are qualified to undertake the responsibilities associated with the position.

  The management of its employees' knowledge through the required detection, retention and development of talent and knowledge, along with ensuring its correct transmission, is a main line of action for Gamesa.

  A new comprehensive talent management tool, Gamesa Talent Environment (GATE), was developed in 2016 to shore up and assist the role of each member of Gamesa as the key figure regarding his/her own development, group human resources processes and reinforce their integration into Company strategies.

In this context, the fundamental tool for developing the people who make up GAMESA is the Talent and Development Review, which is conducted annually. This process entails the establishment of individual development plans for the purpose of contributing to professional growth and enabling the development of skills and competences that will guarantee compliance with the Company's Business Plan.

This process is led by the Human Resources Division and, once concluded, is used as the base for designing the annual training plans. The provided training is monitored jointly in a single tool by the Employee, Manager and the Human Resources Division, and the latter is ultimately responsible for the overall tracking of the training given.

Personnel directly and indirectly responsible for actions related to the financial and accounting scope have been the object of previously outlined selection and contracting processes. Their training needs are also based on their annual performance evaluations. In this context, our human resources have the qualifications and professional competence necessary to do their jobs, both in the applicable accounting standards and in the principles concerning internal control. Personnel is kept continuously apprised of the legislative requirements in force.

The ICFRS-related training program that began in 2015 continued into 2016 at the corporate level and individual geographic areas.

Specifically and in relation to the Code of Conduct, the rules on the prevention of conflicts of interest, crime prevention and fraud policy, and whistleblower channel, the Ethics and Compliance Division held a total of 112 sessions in 2016 in EMEA (Spain and Italy), USA, Brazil and Mexico with an attendance topping 2,400. Additionally, the materials associated with the aforementioned matters were delivered to not only the attendees at the sessions but also others (approximately 6,000 employees) in the cited areas, India and China.

F.2 **Risk assessment of financial information**

A report including at least the following:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, regarding:

- Whether the process exists and is documented.

The Company developed ICFRS on the basis of the international standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO.

As mentioned further below, there is a model for identifying the effects of the different risk types. However and, in particular, regarding financial information, an internal control model is applied with a top-down approach of risk identification based on the most significant accounts in the financial statements and considering parameters related to impact, probability, characteristics of the accounts and the business process.

The risk identification process, whose potential impact on the Financial Statements is significant, considers quantitative aspects such as the percentage represented at an aggregate level by the individual company/account regarding assets, sales, income and other qualitative aspects.

The qualitative risk factors consider aspects related to:

- Characteristics of the account: Volume of transactions, required judgment, complexity of the accounting principle, external conditions.

- Characteristics of the process: Complexity of the process, centralization vs. decentralization, automation, third-party interaction, experience/maturity of the process.

- Risk of fraud: Degree of estimation and judgment, common schemes and frauds in the sector/market in which it operates, geographic regions, unusual and complex transactions, type of automation, urgent transactions, relationship to compensation systems.

- Whether the process covers the whole of financial information-related objectives (existence and occurrence; integrity; assessment; presentation; itemization and comparability; and rights and obligations), whether it is updated and how frequently.

  The process was designed in consideration of the financial reporting objectives contemplated in the internal control document on financial reporting for listed companies issued by the Spanish Securities Market Commission (CNMV) in June 2010.

  In the previous context, and in the case of the processes associated with the economic-financial information, the process has focused on analyzing the events that could affect the objectives of financial information related to:

    - Integrity.
    - Validity.
    - Evaluation.
    - Deduction.
    - Record.
    - Presentation and breakdown.

  The risk assessment model for attaining objectives linked to the reliability of financial information systematically and objectively identifies the critical risks and processes of an annual nature.

- The existence of a process for identifying the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose entities.

  As per the recommendations of the Unified Code of Good Governance of the Board Directors in Article 7 of its Regulations, the authority is established to approve the creation or acquisition of shares in special purpose companies or companies that are domiciled in countries or territories that are, under current legislation, considered tax havens.

  Moreover, and in this context, the Group's corporate tax policy indicates that Gamesa, in carrying out its activities, will attend to the principles of an ordered and diligent tax policy embodied in the commitment to:

  - Avoid the use of artificial and/or obscure structures for tax purposes, understanding that the latter are intended to prevent understanding, on the part of the Tax Administration personnel, of the final responsibility for the activities or the last owner of the property rights involved.

  - Refrain from constituting or acquiring companies residing in tax havens with the aim of evading tax obligations.

  The Group, through the Companies List drawn up by Legal Counsel, also maintains a continuously updated record that collects all Group holdings, whatever their nature, whether direct or indirect, including, as applicable, both instrumental and special purpose companies. This list of companies which constitute the Gamesa Group is accessible to personnel of the Group in the internal network (intranet).

  For the purpose of identifying the scope of consolidation, in accordance with the criteria contemplated in international accounting legislation, the mentioned list is subject to conciliation with the master file of companies affected by consolidation, which is the responsibility of the Group's consolidation unit.

  In this regard, the Group has a guide that establishes the necessary flow of authorizations regarding changes in the consolidation perimeter and enables updating and reconciliation of the Company List and master company file held in SAP BPC.

  In this context, the consolidation perimeter identification subprocess was created in the established financial information internal control system as part of the priority consolidation process.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they have an impact on the financial statements.

  Gamesa has incorporated a risk identification process based on the COSO method that, in accordance with the general risk control and management policy approved by the Board of Directors (most recently updated in September 2015) is considered to be in line with the "Business Risk Model-BRM" model insofar as the four risk categories that each in turn group other sub-categories:

  - Corporate governance, ethics and compliance risks.
  - Strategic risks and risks related to regulations, credit, market, business, tax, competition, country, strategy, etc.
  - Process-related risks (operational, reputational).
  - Risks associated with information for making decisions or legal requirements.

  The applied methodology is embodied as a regularly updated risk map (normally every six months).

- What governing body of the entity oversees the process.

  The process is ultimately supervised by the Audit and Compliance Committee with the support of the Internal Audit Division to undertake its duties.

F.3 Control activities

A report indicating its main characteristics, if it has at least the following:

F.3.1. Procedures for review and authorization of financial information and a description of the ICFRS to be published in the stock market, indicating the responsible parties, and including descriptive documentation on flows of activities and controls (including those related to the risk of fraud) of different types of transactions which may have a material effect on the financial statements, including the accounting close process and a specific review of relevant judgments, estimates, assessments and projections.

The Board of Directors is the highest body in charge of overseeing and approving the financial statements of the Group.

The Group sends quarterly information to the stock market. This information is prepared by the Management Control and Finance Divisions, who conduct a series of control activities during the accounting closure to ensure reliability of the financial information. These controls are contained in the "Consolidation and Financial Closing" in the Group's ICFRS model.

The Corporate Management Control Area and the consolidation and accounting area, integrated in the Finance Division, consolidate all the financial information of Gamesa Corporación Tecnológica, S.A. and the companies integrated in the Group.

On a monthly basis, the Finance Department provides the different departments involved in the accounting closings with planning and guides for drawing up financial information by each department and the date on which they should be reported.

The financial statements of the Group have the following review levels:

- Review of the Management Control Division.
- Review of the Finance Division.
- Review of the Audit Committee.
- Approval of the Board of Directors (biannually and annually).

Moreover, the financial statements and interim financial statements summarized biannually are subject to auditing and limited review, respectively, by the external account auditor.

Likewise, the financial statements submitted previously to the Board of Directors for formulation are previously certified by professionals responsible for consolidation and the Finance Division.

The financial statements are drawn up based on a reporting calendar and deadlines that are known to all participants in the process, considering the legally established terms.

The control activities designed to cover the previously identified risks, as mentioned in the previous chapter, are performed both at the Division level in a Corporate environment, with analytical reviews of the reported information, and at the level of each business unit from a more operational and specific point of view by identifying the relevant processes and subprocesses according to the different local organizational structures.

The processes considered with material impact risk in the drawing up of financial information are represented through risk and control flowcharts and matrices that identify the relevant control activities.

The control activities of particular relevance are understood to be related to the following aspects:

- Earnings recognition, degree of progress and collection.
- Capitalization of promotion expenses.
- Provision for guarantees.
- Activation of research and development expenses.
- Material assets.
- Coverage management.
- Procurement.
- Consolidation and Financial Closing.

The Group's control model is handled, maintained and evaluated through GRC Suite.

During 2016 and within the context of continually improving the model, Gamesa has continued working on optimizing and adapting the model to the best practices in the sector.

Startup of the new automated financial reporting control model, which began in 2015, was completed in 2016. By the close of 2016, the ICFRS organizational structure in all regions received training again for operating the computer tool that supports the model and the suitability of regular self-assessments on the control activities defined for each process conducted by the executors, confirmed by their supervisors and reviewed by the process risk managers.

The established system entails a continuous process to the extent that the process managers draw up, revise and update control activities and procedures in tandem with the Internal Control Unit.

F.3.2. Internal control policies and procedures regarding information systems (including access security, change control, operation thereof, operational continuity and segregation of functions) supporting the entity's relevant processes relating to the preparation and publication of financial reporting.

Gamesa's management recognizes information and supporting assets as strategic assets for the business and therefore declare the company's intention to attain the security levels necessary to safeguard them in terms of availability, confidentiality, integrity, authentication and traceability.

As part of this commitment, Gamesa has an information security policy manual for safeguarding confidentiality, integrity and availability of the information. This manual applies across all areas of the company.

Specifically, within the scope of the Gamesa ICFRS model, the process of general controls of the Information Systems has been developed. This process has been broken down into different subprocesses, for which various controls have been designed and established.

The designed controls are supported mainly in the applications SAP R3, SAP BPC, SAPP and BPM.

These subprocesses and their main control activities are:

- **Backups**: Business continuity as regards the timely recovery of essential business data in the event of a disaster via the duplication of critical infrastructures and periodic backup copies of the information in separate physical locations, and a policy review and control of the integrity of the copies made.

- **Security of physical access to the Data Processing Center (CPD):** Among other physical control activities, the information technology department restricts access to authorized personnel in different areas where key information elements of the Company are located, and these locations are monitored with the appropriate control and security systems.

- **Security of software access, both internal and external**: At the software security level, there are the techniques and tools that are defined, configured and implemented that restrict, to only authorized personnel based on their role-duty, access to computer applications and information databases, through procedures and control activities. These include, among others, review of users and assigned roles, encryption of sensitive information, managing and regularly changing access passwords, control of unauthorized downloads of applications, and analysis of identified security incidents.

- **Controls relating to the maintenance and implementation of computer applications:** Among others, the following are defined and implemented: request and approval processes at the appropriate level of new computer applications, definition of versioning policies and maintenance of existing applications and their associated action plans, definition of the various plans for implementation and application migration, validation and monitoring of changes in the evolution of applications and risk management through separate environments for operation, testing and simulation.

- **Controls regarding the segregation of duties:** Approved segregation of duties matrix, pursuant to which different roles are assigned to users according to identified needs, without allowing exceptions. Periodic review and approval of the various roles assigned, as well as reassignments, updates, user deletion, verification of infrequent or unused users, etc.

F.3.3. Internal control policies and procedures for monitoring the managing activities subcontracted to third parties, and aspects related to the evaluation, calculation or appraisal entrusted to independent experts that may have a material effect on the financial statements.

In general, Gamesa does not outsource any activity considered to be relevant and/or significant that could materially affect financial reporting.

In any case, the aforementioned outsourced activities are mainly different administrative processes in offices and small subsidiaries supported by a service contract that clearly indicates the service provided and the means that the supplier, a high-level external professional, will use to provide the services; reasonably ensuring technical training, independence and competence of the subcontracted party.

Likewise, there is an internal procedure for contracting services that establishes the requirement for certain levels of approval depending on the amount in question.

The Gamesa ICFRS model identifies control activities in which the valuation of a third party is required. In this regard, outsourced activities have been identified mainly relating to the appraisal of derivatives, legal aspects, assets and payments based on shares.

These services are commissioned by the managers of the corresponding areas, reasonably ensuring the competence and technical and legal training of the subcontracted parties, reviewing as applicable the assessments, calculations or appraisals performed by external agents.

F.4 Information and communication

A report indicating its main characteristics, if it has at least the following:

F.4.1. A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolving questions or disputes regarding their interpretation, maintaining fluid communication with those responsible for operations in the organization, as well as an accounting policy manual updated and communicated to the units through which the entity operates.

The functions of the Finance and Management Control Divisions include identifying, defining, updating and communicating the accounting policies that affect Gamesa, and responding to accounting inquiries raised either by subsidiaries or different geographical areas and business units. In this context, it maintains a close and smooth relationship with the management control areas of the various geographical areas and business units.

Additionally, the above divisions are responsible for reporting to the Management Committee and/or any other appropriate body regarding specific aspects of accounting standards, the results of their application and their impact on the financial statements.

The company has an accounting manual that defines and explains the standards for preparing the financial information and how such standards should be applied to the specific operations of the company. This document is updated regularly and the companies in which they apply are notified of the possible amendments or significant updates made.

On those occasions on which the application of accounting standards is particularly complex, the conclusion of the accounting analysis undertaken is communicated to the External Auditors, requesting their position on the conclusion that was reached.

The accounting policies applied by the Group are broken down into the financial statements and are consistent with those applicable under current regulations.

In case of legislative changes regarding financial reporting that affect the Financial Statements, the Consolidation Division, incorporated in the General Finance Division, will revise, examine and update the accounting standards, and oversee the adoption of new or revised standards from the International Financial Reporting Standards (IFRS) and any standards, amendments and interpretations that have yet to enter into force. This Division also notifies amendments or updates to the company departments and subsidiaries.

F.4.2. Mechanisms for capturing and preparing the financial information using standardized formats, applicable to and to be used by all the units of the entity or Group, which support the main financial statements and their notes, as well as the information detailed on the ICFRS.

The process for consolidating and preparing the financial information is centralized. In this process the inputs are the financial statements reported by the Group's subsidiaries in the established formats, as well as the rest of the financial information required for both harmonizing the accounting process and to covering the established information needs.

The Gamesa Group has implemented a software tool that collects individual financial statements and facilitates the process of consolidation and preparation of financial information. This tool allows centralizing all information resulting from the accounting of individual companies of the Group into a single system.

In this context, the Accounting and Consolidation Division establishes, in a centralized manner, a quarterly, biannual and annual closure plan which distributes to all of the groups and subgroups the appropriate instructions regarding the scope of the work required, key reporting dates of standard documentation to send, and deadlines for reception and communication. The instructions include, among other aspects, a reporting/consolidation package sent to Corporate, preliminary closure, inter-company billing, physical inventories, confirmation and inter-group balance reconciliations, final closure and pending matters.

The content of the aforementioned reporting is reviewed regularly in order to respond to the appropriate requirements for breakdown in the financial statements.

F.5 **Monitoring the operation of the system**

A report indicating its main characteristics, of at least the following:

F.5.1. Activities related to supervision of the ICFRS carried out by the audit committee, and whether the entity has an internal audit function that includes, among its capacities, support to the committee in its task of overseeing the internal control system, including the ICFRS. It will also report the scope of the ICFRS assessment conducted during the fiscal year and the procedure whereby the person responsible for the assessment communicates the results, whether the entity has an action plan detailing possible corrective measures, and whether its impact on financial information has been considered.

There is fluid communication between the Audit and Compliance Committee, Senior Management, Internal Audit Director and External Auditors for the purpose of having the available information needed to perform their functions relating to the responsibility of monitoring the ICFRS.

Specifically, regarding ICFRS monitoring activities undertaken by the Audit and Compliance Committee during the year, it has performed, among others, the following activities:

- Review of the Group's financial statements and periodical, quarterly and biannual financial reporting, which the Board of Directors must provide to the markets and their supervisory bodies, monitoring compliance with legal requirements and the correct application in their elaboration of the generally accepted accounting principles.

- During supervision of the Internal Audit Department, approval of the annual audit plan and its budget to enable the internal and external human and material resources in the cited department.

- Analysis of the audit plan for External Auditors, which includes the auditing objectives based on the financial reporting risk assessment and the main areas of interest or significant transactions reviewed in the year.

- The detected weaknesses of internal control have been reviewed with the External Auditors and Internal Audit, where appropriate, in the performance of the different auditing and review tasks.

Gamesa has an Internal Audit Department, one of the competencies of which is to support the Committee in its supervisory work of the internal control system. In order to ensure its independence, Internal Audit is hierarchically dependent on the Board of Directors and, on its behalf, its Chairman, and functionally the Committee.

With the aim of enabling this supervision of the internal control system, the Internal Audit services tend to the requirements of the Committee in the exercise of its functions, participating on a regular basis and as required in the Audit and Compliance Committee sessions.

The annual internal audit plan presented and approved by the Committee includes revisions of the ICFRS, establishing revision priorities on the basis of the identified risks.

During the year, it has drawn up and presented the company's corporate risk map, which contains the most critical risk areas, to the Audit and Compliance Committee. This map is drawn up for the different business units and regions at a global level. It includes financial and non-financial risks encompassed within the scope of supervision of the Audit and Compliance Committee).

The Internal Audit function has conducted audits on certain significant risks according to its annual audit plan for 2016, and submitted the corresponding reports to the Management Committee and the Audit and Compliance Committee.

Additionally, the function of Internal Audit performs analytical review procedures in each of the monthly closures of the consolidated financial statements, which involves, among other aspects, analysis of variations, unusual transactions, overall calculations, etc.

In addition, there are meetings held among the Audit and Compliance Committee, Finance Division and External Auditors for queries related to important issues or when an area of generally accepted accounting principles is particularly complex.

F.5.2. When having a discussion procedure whereby the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts inform senior management and the audit committee or company officers of significant internal control weaknesses identified during the annual accounts review processes, or others which may have been entrusted to them. Likewise, information will be provided as to the availability of an action plan for correction or mitigation of the observed weaknesses.

The Audit and Compliance Committee holds meeting at the close of the semester (every six months) and yearly with external auditors, internal audit and the division responsible for drawing up financial information with a view to commenting on relevant aspects and, as the case may be, discussing significant weaknesses identified in internal control.

In particular and at least once yearly, external auditors will appear in the Audit and Compliance Committee session to present their internal control related recommendations identified when examining the financial statements.

Moreover and in this regard, the Group's financial statements and periodical, quarterly and biannual financial information that the Board of Directors must provide to the markets and their supervisory bodies are reviewed during the Committee's meetings with the accounts auditors, monitoring compliance with legal requirements and the correct application in their elaboration of the generally accepted accounting principles.

During 2016, account auditors have reported no significant internal control weaknesses.

F.6 **Other relevant information**

There is no other information relevant to ICFRS that has not been included in this report.

F.7 **Report of the external auditor**

Report of:

F.7.1. Whether the ICFRS information supplied to the markets has been reviewed by the external auditor, in which case the entity should include the report as an annex. Otherwise, it should report the reasons.

Gamesa has requested an external auditor to issue a report on the review of the information regarding the ICFRS included in the present section F of the Annual Corporate Governance Report corresponding to 2016.

G DEGREE OF COMPLIANCE WITH THE RECOMMENDATIONS OF CORPORATE GOVERNANCE

Indicates the degree of compliance by the Company with respect to the recommendations of the Good Governance Code of issued companies.

In the event that any recommendation is not followed or is partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have sufficient information to evaluate the behavior of the Company. General explanations will not be acceptable.

1. **The bylaws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, nor impose other restrictions to obstruct the takeover of the Company through the purchase of shares on the market.**

Comply X Explain □

2. **When the parent company and a subsidiary are listed, both clearly and publicly define:**

   a) **Their respective areas of activity and possible business relations between them, as well as relations between the listed subsidiary and other Group companies;**

   b) **The mechanisms in place to resolve possible conflicts of interest that could arise.**

Comply □ Partially Comply □ Explain □ Non applicable X

3. **During the ordinary shareholders meeting, in addition to a written dissemination of the annual corporate governance report, the chairman of the board of directors verbally apprises shareholders, with sufficient details, of the most relevant corporate governance aspects of the company and, in particular:**

   a) **Changes made since the previous ordinary general shareholders meeting.**

   b) **Reasons for which the company failed to follow any of the recommendations in the Code of Good Governance and the alternative rules, if any, that may apply in this regard.**

Comply X Partially Comply □ Explain □

4. **The company defines and promotes a communication and contact policy with shareholders, institutional investors and voting advisers in fully adherence to the rules and regulations in place regarding market abuse, and treats shareholders of the same class equally.**

   The company also makes said policy public on its website, includes information regarding how the policy is put into practice and identifies the points of contact or persons responsible for discharging such duties.

Comply X Partially Comply □ Explain □

5. **The board of directors does not pass proposals onto the General Shareholders Meeting for delegating powers to issue shares or convertible securities with exclusions on first refusal rights at amounts over 20% the capital at the moment of delegation.**

   When the board of directors approves any issue of shares or convertible securities with the exclusion of first-refusal rights, the company immediately posts the reports on said exclusion on its website with reference to the pertinent commerce legislation.

Comply X Partially Comply □ Explain □

6. **The listed companies drawing up the reports cited below, whether voluntarily or as mandatory duties, also make them public on their websites with good time in advance of the ordinary general shareholders meeting, even though such dissemination may not be mandatory:**

   a) **Report on the independence of the auditor.**

   b) **Operating reports on the audit, appointments and remuneration committees.**

   c) **Audit committee report on related party transactions.**

   d) **Report on the corporate social responsibility policy.**

Comply X Partially Comply □ Explain □

7. **The company should stream a live feed of the general shareholders meeting on its website.**

Comply X Explain □

8. **The audit commission ensures that the board of directors presents the accounts to the general shareholders meeting without limitations or reservations in the audit report and, in the exceptional circumstance of reservations, both the chairman of the audit committee and auditors shall clearly explain the content and scope of said limitations or reservations.**

Comply X Partially Comply □ Explain □

9. The company permanently publishes on its website the requirements and procedures that it will accept to accredit the shareholder, right to attend the general shareholders meeting and the exercise or delegation of voting rights.

These requirements and procedures favor the attendance and exercise of the rights of shareholders, and are applied with no discrimination.

Comply X Partially Comply □ Explain □

10. When a legitimately accredited shareholder has exercised, before the general shareholders meeting, the right to add items to the agenda or present new proposals for resolution, the company shall:

a) Immediately disseminate the additional points and new proposals for resolution.

b) Make the attendance card model or delegation of remote voting forms public, with the specific modifications so that the new items on the agenda and the alternative proposed resolutions may be voted on in the same terms as the ones proposed by the board of directors.

c) Subject all these items or alternative proposals to a vote and apply the same voting rules as the ones formulated by the board of directors, including in particular the assumptions or deductions regarding the meaning of the vote.

d) Following the general shareholders meeting, communicate the breakdown of the vote on the additional items and proposed alternatives.

Comply □ Partially Comply X Explain □ Non applicable □

Explanation:

The Company's Internal Rules and Regulations complies with sections a), b) and d) of the Recommendation, though regarding section c), article 31.7 of the Regulations of the General Shareholders Meeting of the GAMESA states that the system for determining the meaning of the vote establishes a different deduction system for voting proposals from the Board of Directors regarding items included on the Agenda than for voting on proposals for resolution regarding matters not contemplated in the Agenda or formulated by the Board of Directors.

11. When the company intends to pay premiums for attending the general shareholders meeting, the general policy on said premiums must be established in advance and be stable.

Comply □ Partially Comply □ Explain □ Non applicable X

12. The board of directors carries out its duties with a consistent unity of purpose and independence of criteria, treating all shareholders in the same position equally and as guided by the interests of the company, namely obtaining profitable and sustainable long-term returns, promoting continuity and maximizing the economic value of the company.

And, for the sake of company interests, in observance of the pertinent laws and regulations, and through a conduct based on good faith, ethics and respect insofar as the uses and widely accepted good practices, it shall attempt to reconcile business interests with, where pertinent, the legitimate interests of its employees, providers, clients and those of stakeholders who may be affected in the community as a whole and in the environment.

Comply X Partially Comply □ Explain □

13. The board of directors has an appropriate size to achieve effectiveness and participation, ideally between five and fifteen members.

Comply X Explain □

14. The board of directors approves a director selection policy that:

a) Is concrete and verifiable

b) Ensures that appointment or re-election proposals are based on a prior examination of the needs of the board of directors

c) Favors the diversity of knowledge, experience and gender

The results of the initial analysis of the needs of the board of directors are included in the substantiating report of the appointments committee, published when calling to convene the general shareholders meeting at which the ratification, appointment or re-election of each director will be carried out.

The director selection policy promotes attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The appointments committee shall conduct a yearly verification of compliance with the director selection policy, reporting thereon in the annual corporate governance report.

Comply X Partially Comply □ Explain □

15. Proprietary and independent directors constitute a large majority of the board of directors and the number of executive directors is the minimum necessary, taking into consideration the complexity of the corporate group and the ownership interests of the executive directors in the capital of the Company.

Comply X Partially Comply □ Explain □

16. The percentage of proprietary directors among the total of non-executive directors should be no greater than the existing proportion between the capital of the company represented by said directors and the remaining capital.

This criterion may be attenuated:

a) In companies with high capitalization where there are few equity stakes that attain the legal threshold for significant shareholdings.

b) In companies that have a plurality of unrelated shareholders represented on the board of directors.

Comply X Explain □

17. The number of independent directors represents at least half of all Board members.

However, when the company is not a high cap entity or, even if being one, it has a single shareholder or several shareholders acting jointly and controlling over 30% of the share capital, the number of independent directors shall represent at least one third of the total number of directors.

Comply X Explain □

18. Companies make public through their websites and regularly update the following information on their directors:

a) Professional and biographical profile

b) Other boards of directors to which they pertain, regardless of whether they are listed companies or not, and all other remunerated activities regardless of their nature.

c) Indication of the director's category, particularly indicating the represented or related shareholder for proprietary directors.

d) Date of first appointment as director in the company, and the subsequent re-elections. e) Shares held in the company and options thereon of which the director holds.

Comply X Partially Comply □ Explain □

19. The annual corporate governance report, upon verification thereof by the appointments committee, explains the reasons for appointing proprietary directors at the request of shareholders whose shareholding is less than 3% of the capital; and, if necessary, the reasons for not having accommodated formal requests for presence on the board representing shareholders whose equity stake is equal to or greater than that of others at whose request proprietary directors were appointed.

Comply □ Partially Comply □ Explain □ Non applicable X

20. Proprietary directors resign when the shareholder they represent transfers its entire shareholding. And they also do so, in the appropriate number, when such shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.

Comply X Partially Comply □ Explain □ Non applicable □

21. The Board of Directors does not propose the removal of independent directors before the expiry of the period for which they were nominated, except where just cause is found by the board of directors, based on the report of the appointments committee. In particular, the existence of just cause will be construed when directors move onto new posts or undertakes new contractual obligations that would hinder them insofar as the necessary time for dedication to the discharge of functions and duties inherent to the post of director, or engender situations that would cause them to lose their status as independent as established in the applicable legislation.

The separation of independent directors may also be put forward as a result of takeover bids, mergers or other similar corporate transactions involving a change in the capital structure of the company when such changes in the structure of the board of director are caused by the proportionality criteria in recommendation 16.

Comply X Explain □

22. The companies establish rules making it mandatory for directors to report and, if necessary, resign in cases that could damage the credibility and reputation of the Company and, in particular, apprise the board of directors of criminal cases in which they are involved as defendants and subsequent developments in proceedings.

Should a director be indicted or a court decision handed down against him or her during a trial for any of the crimes listed in corporate legislation, the board of directors shall examine the case as soon as possible and, in light of the specific circumstances, decides whether or not the director may remain in office. The board of directors shall nevertheless provide a reasoned account of the events in the annual corporate governance report.

Comply X Partially Comply □ Explain □

23. All directors express clear opposition when they feel a proposal submitted to the board of directors may be contrary to the corporate interest. And they also do so, especially independent and other directors unaffected by the potential conflict of interests, when dealing with decisions that could harm shareholders not represented on the board of directors.

And when the board of directors makes significant or repeated decisions about which a director has serious reservations, the latter draws the appropriate conclusions and, if he or she chooses to resign, explains the reasons in the letter to which the following recommendation applies.

This recommendation also applies to the secretary of the board of directors, even though he or she is not a director.

Comply X Partially Comply □ Explain □ Non applicable □

24. When, either by resignation or otherwise, a director leaves office before the end of his or her term, he or she explains the reasons in a letter sent to all members of the board of directors. And, regardless of whether said removal is communicated as a significant event, the reason is explained in the annual corporate governance report.

Comply X Partially Comply □ Explain □ Non applicable □

25. The appointments committee shall ensure that non-executive directors are sufficiently available insofar as the time dedicated to undertaking their duties correctly.

The regulations of the board also establishes the maximum number of company boards on which its directors may sit.

Comply X Partially Comply □ Explain □

26. The board of directors meets as often as necessary to perform its duties efficiently and at least eight times per year, following the schedule of dates and agendas set at the beginning of the year. Each individual director may propose items for the agenda not initially included.

Comply X Partially Comply □ Explain □

27. Director absences are kept to a bare minimum and listed in the annual corporate governance report. When such absences are unavoidable, representation is granted with the corresponding instructions.

Comply X Partially Comply □ Explain □

28. When the directors or the secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved during a meeting of the board of directors, at the request of the person who expressed the concern it will be recorded in the minutes.

Comply X Partially Comply □ Explain □ Not applicable □

29. The company establishes the appropriate channels so that directors can obtain precise advice regarding the discharge of their duties, including, when the circumstances so require, external advice paid for by the company.

Comply X Partially Comply □ Explain □

30. Regardless of the knowledge that directors are required to have to undertake their duties, the companies also provide directors with knowledge refresher programs when circumstances would so advise.

Comply X Explain □ Not applicable □

31. The agenda of the sessions clearly indicates items regarding which the board of directors must reach a resolution or decision so that directors can examine or ascertain, in advance, the information necessary for adoption.

Should the chairman exceptionally seek to submit decisions or agreements not on the agenda to the board of directors for approval, for reasons of urgency, the prior and express consent of the present directors must be secured and record thereof must be made in the minutes of the meeting.

Comply X Partially Comply □ Explain □

32. Directors should be regularly apprised of the transactions in the shareholder group and the opinion that significant shareholders, investors and rating agencies have of the company and its group.

Comply X Partially Comply □ Explain □

33. The chairman, as responsible for the effective operations of the board of directors, in addition to the discharge of duties attributed thereto by law and bylaws, shall prepare and submit a schedule of dates and matters to address to the board of directors; organize and coordinate the regular assessment of the board and, as the case may be, the chief executive officer of the company; be responsible for managing the board and the effectiveness of its operations; ensure that sufficient time is dedicated to discussing strategic matters; and agree and review knowledge refresher programs for each director when the circumstances so advise.

Comply X Partially Comply □ Explain □

34. In addition to the legally corresponding capacities, when there is a coordinating director, the bylaws, regulations of the board of directors attribute the following duties: preside over the board of directors in the absence of the chairman and, where pertinent, vice chairmen; articulate the concerns of non-executive directors; maintain contact with investors and shareholders to ascertain their points of view regarding corporate governance, particularly concerning the company's corporate governance; and coordinating the chairman succession plan.

Comply X Partially Comply □ Explain □ Non applicable □

35. The secretary of the board of directors particularly ensures that the engagements and decisions of the board of directors consider the good governance recommendations contained in this Code of Good Governance that apply to the company.

Comply X Explain □

36. Once yearly, the board of directors in plenary session shall examine and adopt, as the case may be, an action plan for rectifying deficiencies detected in relation to:

a) Operating quality and efficiency of the board of directors

b) Operation and composition of its committees

c) Diversity in the composition and capacities of the board of directors

d) Performance of the chairman of the board of directors and company CEO

e) Performance and contribution of each director, particularly considering the heads of the various committees of the board

Assessments of the different committees shall be based upon the reports that they submit to the board of directors, which will in turn make its assessment based on the report submitted by the appointments committee.

Every three years, the board of directors will receive assistance to conduct the assessment from an external consultant, whose independence shall be verified by the appointments committee.

The business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group must be broken down in the annual corporate governance report.

The assessed process and areas will be described in the annual corporate governance report.

Comply X Partially Comply □ Explain □

37. When there is an executive committee, the membership structure of the various director categories are similar to that of the board of directors and its secretary shall be the secretary of the board.

Comply X Partially Comply □ Explain □ Non applicable □

38. The board of directors is always apprised of the matters discussed and the decisions made by the executive committee and all members of the board of directors receive copies of the minutes of the meetings of the executive committee.

Comply X Partially Comply □ Explain □ Non applicable □

39. The members of the audit committee, and particularly the chairman thereof, shall be appointed in consideration of their knowledge and experience in accounting, auditing or risk management. The majority of said members shall be independent directors.

Comply X Partially Comply □ Explain □

40. A unit under direct supervision of the audit committee shall assume the internal audit function to ensure that the internal information and control systems work properly, and will functionally report to the non-executive chairman of the board of the audit committee.

Comply X Partially Comply □ Explain □

41. The head of the unit assuming the internal audit function presents its annual work plan to the audit committee; reports to it directly on any incidents arising during its work; and submits a report of activities at the end of each year.

Comply X Partially Comply □ Explain □ Non applicable □

42. In addition to the ones attributed by law, the following duties correspond to the audit committee:

1. With regard to information systems and internal control:

a) Supervise the drawing up process and the integrity of the financial information related to the Company and, where appropriate, to the Group, revising compliance with the regulatory requirements, the proper setting of the consolidation scope and correct application of the accounting criteria.

b) Ensure the independence of the unit assuming the internal audit function; propose the selection, appointment, re-election and resignation of the individual responsible for the internal audit service; propose a budget for this service; approve the orientation and work plans, securing that this activity is primarily focused on the significant risks of the company; receive periodic information on its activities; and verify that Senior Management takes into account the conclusions and recommendations in its reports.

c) Establish and monitor a mechanism whereby staff can report, confidentially and, if possible, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the Company.

2. With regard to the external auditor:

a) In case of resignation of the external auditor, examine the circumstances that caused it.

b) Ensure that the remuneration of the external auditor does not compromise the quality or independence of the auditor's work.

c) Supervise that the company reports the change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and, if any, their content.

d) Ensure that the external auditor maintains a yearly meeting with the plenary board of directors to brief it on the work carried out and the progress of the accounting status and company risks. e) Ensure that the company and external auditor observe the valid standards regarding the provision of services other than auditing, limits of concentration of the audit business and, in general, other rules, regulations and standards regarding the independence of auditors.

Comply X Partially Comply □ Explain □

43. The audit committee may call any employee or director of the Company, even ordering their appearance without the presence of any other manager.

Comply X Partially Comply □ Explain □

44. The audit committee should be apprised on the operations of structural and corporate modifications intended for the company so that it can conduct a prior analysis and report to the board of directors regarding the corresponding economic conditions and impact on the accounts, particularly, as the case may be, the proposed exchange ratio.

Comply X Partially Comply □ Explain □ Non applicable □

45. The control and risk management policy identify at least:

- **a) The different financial and non-financial risk types (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liability risks and other off-balance sheet risks among the financial and economic risks.**
- **b) The level of risk that the Company considers acceptable.**
- **c) The planned measures to mitigate the impact of identified risks, should they materialize.**
- **d) Information systems and internal control are used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Comply □ Partially Comply X Explain □

Explanation:

Gamesa's general risk control and management Policy, approved by the Board of Directors on 23 September 2015, states that the Delegated Executive Committee will define the specific numeric values of the risk limits contemplated in the specific policies. While the Delegated Executive Committee has defined, in relation to the Investment and Financing Policy, the cited specific numeric values for the limits on risks associated therewith, there are nevertheless others on which such a determination of risk level is verified by qualitative measurement references, and an objective underway is to update them with quantitative measures at the Company's risk levels.

46. Under direct supervision of the audit committee or, as the case may be, a specialized committee of the board of directors, there is an internal risk control and management function carried out by an internal company unit or department expressly having the following duties:

- **a) Ensure the proper operations of risk control and management systems and, in particular, that all significant risks affecting the company are identified, managed and quantified.**
- **b) Actively participate in drawing up the risk strategy and taking important decisions regarding the management thereof.**
- **c) Ensure that the risk control and management systems suitably mitigate the risks within the framework of the policy defined by the board of directors.**

Comply X Partially Comply □ Explain □

47. The members of the appointments and remuneration committee (or the appointments and remuneration committees when separate) are appointed in view of their adequate knowledge, capacity and experience to carry out their duties, and the majority of the members shall be independent directors.

Comply X Partially Comply □ Explain □

48. High cap companies have an appointments committee and a remuneration committee.

Comply X Explain □ Non applicable □

49. The appointments committee consults the chairman of the board of directors and CEO of the company, especially on matters relating to executive directors.

Any Director may request that the appointments committee consider potential candidates to fill vacancies on the Board, if it finds them suitable.

Comply X Partially Comply □ Explain □

50. The remuneration committee independently carries out its duties, which are, in addition to the duties attributed by law:

a) Propose the basic contract terms and conditions for senior management to the board of directors.

b) Check that the remuneration policy established by the Company is observed.

c) Regularly review the remuneration policy applied to board directors and senior management, including the remuneration systems involving shares and their application, and guarantee that individual remuneration is proportional to the consideration paid to the other directors and senior managers in the company.

d) Ensure that potential conflicts of interest do not harm the independence of external counsel provided to the committee.

e) Verify the information regarding the remuneration to directors and senior managers contained in the different corporate documents, including the annual directors' remuneration report.

Comply X Partially Comply □ Explain □

51. The remuneration committee consults the Chairman and Chief Executive of the Company, especially on matters relating to Executive Directors and Senior Management.

Comply X Partially Comply □ Explain □

52. The composition and operating rules of the oversight and control committees are in the regulations of the board of directors and consistent with the rules and regulations applicable to the committees by law according to the recommendations above, including:

a) They exclusively comprise non-executive directors, with a majority of independent directors.

b) Their Chairmen are independent directors.

c) The board of directors appoints the members of these committees mindful of the knowledge, skills and experience of the directors and the duties of each committee; deliberates insofar as their proposals and reports; and renders accounts of their activity, holding them accountable for their work, during the first session of the board of directors following the respective committee meetings.

d) Committees may seek external advice when considering it necessary to discharge their duties.

e) Minutes shall be kept during their meetings and made available to all directors.

Comply X Partially Comply □ Explain □ Non applicable □

53. Oversight of compliance with the corporate governance rules, internal conduct codes and corporate social responsibility policy is attributed to one or among various committees under the board of directors that could be the audit, appointments or corporate responsibility committees (if existing), or even a specialized committee that the board of directors, in the discharge of its duties of self-organization, decides to create for such a purpose; committees that will have at least the following functions:

a) Oversight of compliance with internal codes of conduct and corporate governance rules of the company.

b) Oversight of the strategy for communication and relations with shareholders and investors, including small- and medium-sized shareholders.

c) Regular assessment of the suitability of the Company's Corporate Governance System to ensure that it complies with its mission to promote the corporate interest and, where pertinent, considers the legitimate interests of all other stakeholders.

d) Revision of the Company's Corporate Social Responsibility policy, ensuring that it targets the creation of value.

e) Tracking of the corporate social responsibility strategy and practices and assessment of its degree of compliance.

f) The oversight and assessment of the processes for relations with the different stakeholders.

g) The assessing of all matters relating to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the non-financial data and diversity reporting process in accordance with the applicable legislation and benchmark international standards.

Comply X Partially Comply □ Explain □

54. The corporate social responsibility policy includes the principles or commitments that the company voluntary assumes in its relationships with the different stakeholders, and identifies at least the following:

a) The corporate social responsibility policy objectives and development of support instruments.

b) The corporate strategy regarding sustainability, the environment and social matters.

c) The specific practices in matters relating to: shareholders, employees, clients, suppliers, social matters, environmental affairs, diversity, tax responsibility, human rights and illegal conduct prevention.

d) The methods or systems for tracking the results from applying the specific practices mentioned in the letter above, associated risks and the management thereof.

e) The non-financial risk, ethics and corporate conduct supervision mechanisms.

f) Channels for communication, participation and dialog with stakeholders.

g) The responsible communication practices that prevent informational tampering and safeguard integrity and honor.

Comply X Partially Comply □ Explain □

55. The company reports on matters related to corporate social responsibility in a separate document or in the management report, and will use any of the internationally accepted methods to do so.

Comply X Partially Comply □ Explain □

56. The remuneration of directors should suffice to attract and retain directors with the desired profile and to compensate them for the dedication, qualifications and responsibilities that the post requires, but not so high as to compromise the independence of criteria of non-executive directors.

Comply X Explain □

57. Executive directors shall have variable remuneration linked to the performance of the company and their personal performance, and remuneration through the delivery of shares, options or rights on shares and instruments referenced to the value of stock, and long-term savings systems such as pension plans, retirement programs or other social welfare systems.

Remuneration to non-executive directors may be made via the delivery of shares when conditioned to be retained until the end of their tenure as directors. The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.

Comply X Partially Comply □ Explain □

58. In case of variable remuneration, compensation policies incorporate limits and technical safeguards to ensure that such remuneration conserves a relation to the professional performance of its beneficiaries and not simply derived from the general progress of the markets or the industry in which the Company participates or other similar circumstances.

And, in particular, the variable components of remuneration:

a) Are linked to measurable performance criteria that are established in advance and contemplate the risk assumed to secure a result.

b) Promote the sustainability of the company and include non-financial criteria appropriate for creating long-term value, namely compliance with the company's internal rules, procedures and policies for risk control and management.

c) Are configured on the basis of a balance between attaining short-, medium- and long-term objectives for rewarding performance for sustained efforts during a period of time sufficing to appreciate the contribution to a sustainable creation of value, so that the elements for measuring this performance are not merely based on singular, occasional or extraordinary events.

Comply X Partially Comply □ Explain □ Non applicable □

59. The payment of one relevant part of the variable components of the remuneration differs for a minimum period of time sufficing to check that the previously established performance conditions have been met.

Comply X Partially Comply □ Explain □ Not applicable □

60. Remuneration related to the profits of the Company take into account any reservations that are stated in the report of the external auditor's findings and that reduce profit.

Comply □ Partially Comply □ Explain □ Non applicable X

61. A relevant percentage of the variable remuneration to executive directors is linked to the delivery of shares or financial instruments referenced to its value.

Comply X Partially Comply □ Explain □ Non applicable □

62. Once the shares or options or rights to shares corresponding to the remuneration systems have been assigned, directors may neither transfer ownership of a number of shares equivalent to twice their annual fixed remuneration nor exercise stock options until a period of at least three years from assignment has elapsed.

The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.

Comply □ Partially Comply □ Explain X Not applicable □

Explanation:

On 23 September 2015, the Board of Directors of GAMESA approved the "Director Remuneration Policy", which includes the possibility that long-term remuneration plans with systems based on delivering shares in the company establish suitable minimum retention periods for the received shares. However, the most recent Long-Term Incentive Plan approved by the 2013 General Meeting, whose measurement period ended on 31 December 2015, does not contemplate a share retention period.

63. The contractual agreements include a clause enabling the company to reclaim reimbursement of the variable components when payment has not been adjusted to the performance conditions or made attending to data whose inaccuracy is only subsequently appreciated.

Comply X Partially Comply □ Explain □ Non applicable □

64. Payments upon termination of the contract do not exceed an established amount equivalent to two years of the total annual remuneration and not settled until after the company has checked that the director has satisfied the previously established performance criteria.

Comply X Partially Comply □ Explain □ Non applicable □

H OTHER INFORMATION OF INTEREST

1. If there is a materially relevant aspect of corporate governance in the Company or Group entities that has not been discussed in other sections of this report, but which it is necessary to include to present more complete and reasoned information on the structure and governance practices in the Company or its Group, explain briefly.

   (A.2)

   In addition to the information included in the table on significant stake in section A.2, it is relevant to indicate that at the close of 2016 the company OZ MASTER FUND LTD held a significant stake of 2.041% in the capital of GAMESA based on the total voting rights linked to the exercising financial instruments as reported to the Spanish Securities Market Commission (CNMV). This information is not contained in the table included in section A.2, which called for significant stake of the Company, and not the inclusion of significant stake based on voting rights linked to the execution of financial instruments.

   Further, the companies OZ MASTER FUND LTD and FIDELITY INTERNATIONAL LIMITED respectively hold stake of 2.041% and 1.062% in the share capital of GAMESA, thus within the cases contemplated in article 32 of Spanish Royal Decree 1362/2007, which states that the percentage for consideration as significant is reduced to 1% when the entity with the duty to report resides in a tax haven or country or territory with no taxation, or with which there is no effective exchange of tax information in accordance with the pertinent legislation currently in force.

   It should likewise be noted that, regarding the significant stake of FIDELITY INTERNATIONAL LIMITED, the direct holding grants no voting rights in GAMESA, since none of the direct holders indicated by FIDELITY INTERNATIONAL LIMITED in its communication to the CNMV exceeded the 1% direct holding threshold insofar as the share capital of GAMESA.

   Additionally, OZ MASTER FUND LTD reported to the CNMV that on 13 January 2017 its percentage of voting rights linked to the execution of financial instruments in GAMESA dropped under 2% to 1.815%.

   Lastly, NORGES BANK notified the CNMV that on 19 January 2017 its percentage of voting rights in GAMESA dropped under 3% to 2.992% and that it is therefore no longer a significant shareholder.

   (A.3)

   In addition to the information provided in section A.3, Gema Góngora Bachiller, member of the Board of Directors until 14 September 2016, holds no shares in the Company.

(A.8)

In addition to the information provided in section A.8, GAMESA has entered into a currently valid liquidity contract with Santander Investment Bolsa, which was reported to the CNMV through Significant Event No. 176071 on 31 October 2012.

The CNMV was also notified of transactions carried out during 2016 within the scope of the referred liquidity contract via Significant Event Nos. 234.556, 238.138, 241.857, 244.421 and 247.856.

(A.9 bis)

In addition to the information provided in section A.9 bis, the estimated floating capital does not include the significant stake of OZ MASTER FUND LTD detailed in this very same section H regarding section A.2., since this is a significant stake that cannot be considered as floating capital by any means whatsoever, even though it could not be included as such in section A.2.

(B.4)

In addition to the information provided in section B.4, four shareholders holding a total of twelve thousand, eighty-six (12,086) shares used the electronic voting system in the Ordinary General Shareholders Meeting in 2016.

Moreover, twenty-six shareholders holding a total of one hundred and seventy-six thousand, six hundred and ninety-seven (176,697) shares used the electronic voting system in the Extraordinary General Shareholders Meeting held on 15 October 2016.

(C.1.2)

In addition to the information provided in section C.1.2, the appointment of seven new members of the Board of Directors was approved during the Extraordinary General Shareholders Meeting held on 25 October 2016, and their appointment is conditioned to the entry onto the Companies Register of Bizkaia of the deed of merger between GAMESA and SIEMENS WIND HOLDCO.

The newly appointed Directors are:

- Rosa María García García, as non-executive proprietary director.
- Mariel von Schumann, as non-executive proprietary director.
- Lisa Davis, as non-executive proprietary director.
- Klaus Helmrich, as non-executive proprietary director.
- Ralf Thomas, as non-executive proprietary director.
- Klaus Rosenfeld, as non-executive independent director.
- Swantje Conrad, as non-executive independent director.

As the Company reported to the CNMV through Significant Event No. 242882 on 19 September 2016, all members of Gamesa's Board of Directors made their positions available to the Company to ensure that the composition of the Board of Directors on the merger's effective date will be as contemplated in section 8.2 of the Merger Project.

(C.1.3)

In addition to the information provided in section C.1.3, the following is a brief profile of the Executive and Proprietary Directors:

<u>EXECUTIVE DIRECTORS</u>

Ignacio Martín San Vicente

Born in San Sebastián (Guipúzcoa). He is currently Chairman of the Board of Directors and Chief Executive Officer, and Chairman of the Executive Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds an Electronic Superior Engineering Degree from the University of Navarra.

Along his professional career he has hold different posts in companies like GKN Automotive International (1987-1998) where he held the post of CEO in the United States and General Director of the Group for America, among others. Likewise he was Deputy General Director to the Chairman of Alcatel España (1998-1999); General Director of Operations in Europe in GKN Automotive Internacional (1999-2001) and Deputy Chairman in CIE Automotive having previously hold the posts of Chief Executive Officer (2002-2010) and Executive Deputy Chairman (2010-2011) in the aforementioned company.

Currently he is Independent Director in Bankoa-Credit Agricole. Likewise he is Director in the Board of Directors of APD (Asociación para el Progreso de la Dirección) and member of the Strategic Committee of CEIT.

Carlos Rodríguez-Quiroga Menéndez

Born in Madrid. He currently holds the position of Member of and Secretary to the Board of Directors and Secretary (non Member) of the Executive Committee, of the Audit and Compliance Committee, of the Appointment Committee and of the Remuneration Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds a Law Degree from the Complutense University of Madrid.

Diploma-holder of Employment Law from the Legal Practice School of Madrid.

Diploma-holder in Comparative Industrial Relations and in European Community Relations from the Secretariat of State for Relations with the European Community.

Practicing lawyer.

Currently he performs tasks as Director of or as Secretary to the Board of Directors, among other positions, in the following companies: Audiovisual Española 2000, S.A., Construcciones Sarrión, S.L., Rodríguez-Quiroga Abogados, S.L. and member of the Fundación Pro Real Academia de Jurisprudencia y Legislación.

PROPRIETARY DIRECTORS

Sonsoles Rubio Reinoso

Born in Segovia, she holds the position of Member of the Board of Directors and of the Audit and Compliance Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

She holds a degree in Economics and Business from the Universidad Autónoma of Madrid.

She completed her training as post graduated at ICEA, IESE and *Centro de Estudios Financieros*. She is also Certified Internal Auditor (Institute of Internal Auditors), Certified Fraud Examiner (Assocation of Certified Fraud Examiners), Certified Compliance&Ethics Professional (Society of Corporate Compliance and Ethics) and Leading Professional in Ethics & Compliance (Ethics & Compliance Initiative).

Sonsoles Rubio is Complaince Chief Officer in Iberdrola, S.A. since January 2013. Her professional career has been performed in the internal audit department of enterprises like Repsol YPF, S.A., Holcim (España), S.A. (1999-2008) and Iberdrola, S.A., company she joined in 2008 as Internal Audit Manager of Renewable Business in Iberdrola, S.A.

She is Member of the Steering Committee of the *Instituto de Auditores Internos*.

Throughout her career she has published articles and given many talks in national and international conferences.

Francisco Javier Villalba Sánchez

Born in Valencia, he holds the position of member of the Board of Directors, of the Appointments Committee and of the Remuneration Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He is Civil Engineer by the Polytechnic University of Valencia and has also fulfilled a Program of Development of Senior Management in the Management School of IESE Business School (University of Navarra).

Until February 1, 2016 and since 2010, he held the post of general director of Networking Business of the Iberdrola group.

Along his professional career he has hold different posts in Hidroeléctrica Española and, afterwards, in the Iberdrola group, in which he has held, among others, the following posts: Networking Business Director Spain (2006-2010), Distribution Area Director (2001-2006), Production Business Unit Director (1997-2001), Hydraulic Generation Director (1994-1997), East Zone Generation Director (1991-1994), Exploitation Unit Manager in Valencia (1989-1991), Cortes-La Muela Hydroelectric Capture Construction Director (1982-1989) and Civil Works Manager in the construction of the Nuclear Power Station of Cofrentes (1976-1984).

Until February 1, 2016 he held the following posts in the Board of Directors of the companies detailed next: Chairman Director of Elektro Electricidade e Serviços, S.A., Chairman Director of Iberdrola USA Networks, Inc., Chairman Director of Iberdrola Distribución Eléctrica, S.A., Joint Administrator of Iberdrola Redes España, S.A. and Chairman Director of Scottish Power Energy Networks Holdings Ltd.

Likewise, until February 9, 2016 he held the post of Joint Administrator of Iberdrola Redes España, S.A.

Gerardo Codes Calatrava

Born in Madrid, he holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and of its Executive Committee.

State's Attorney.

Holds a Degreee in Law from the Universidad Pontificia Comillas (ICADE) as Lawyer-Corporate Counsel.

He started his professional career as State's Attorney in Lleida and Valencia and later, in 2011, he joined the Iberdrola Groupl. Within the Iberdrola Group he occupied the post of Chief of the Department of Tax Litigation Legal Services, Director of Legal Services of Corporate Resources and Control and Director of Legal Services of Regulation and Corporate Issues.

Nowadays he is the Director of Global Legal Services of Regulation and Corporate Issues of the Iberdrola Group. Likewise he holds the post of Secretary of the Board of Directors of Torre Iberdrola, AIE, as well as of the Audit and Compliance Committee of Iberdrola España, S.A.

He is Academic of the Real Academia de Jurisprudencia y Legislación.

(C.1.7)

In addition to the information provided in section C.1.7, Gema Góngora Bachiller was external proprietary director of GAMESA from her appointment on 27 May 2015 at the request of Iberdrola, S.A., subsequently re-elected on 22 June 2016 and until her resignation on 14 September 2016.

(C.1.15)

In addition to the information provided in section C.1.15, please note that:

a) pursuant to articles 45.3 and 45.6 of the Corporate Bylaws of GAMESA and as agreed by virtue of the fifteenth resolution of the agenda of the 2015 General Shareholders Meeting, the remuneration of the Company to all directors as fixed annual remuneration and allowances for their dedication and attendance does not exceed the maximum amount of three million euros (€3,000,000) established by the cited General Shareholders Meeting, as such consideration is compatible with and independent of the remuneration received by executive directors.

b) remuneration to the board of directors included, in accordance with the Annual Directors' Remuneration Report, the amount corresponding to the part of the incentive comprising shares delivered during 2016, which was accrued by the chairman and CEO regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. The cited amount was calculated by the average listed share price on the resolution date (€15.81). In particular, the chairman and CEO's right to the delivery of 189,759 shares was recognized, verified at 50% (94,880 shares, which amounted to the delivery of 61,672 after the appropriate tax withholding) within the first 90 days of fiscal year 2016 and the remaining 50% (94,879 shares, which must also be adjusted after applying the pertinent tax withholding, according to the share's listing value on the date of the corresponding resolution), which will delivered during the first 90 days of fiscal year 2017. The amount corresponding to shares delivered in 2017 will be included in the annual directors' remuneration report and the annual corporate governance report corresponding to 2017, calculated by the average listed share price on the date of the corresponding resolution.

c) the information shown therein coincides with the figure in Note 19.1 of the Individual Report and Note 30 of the Consolidated Report, which form part of the financial statements for fiscal year 2016.

(C.1.16)

a) In addition to the information provided in section C.1.16, remuneration to the senior management included the amount corresponding to the part of the incentive comprising shares delivered during 2016, which was accrued by all members of senior management regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. The cited amount was calculated by the average listed share price on the resolution date (€15.81). In particular, Senior Management's right to the delivery of 447,580 shares was recognized, verified at 50% (223,790 shares, though the number of shares actually delivered to each beneficiary was determined after applying the corresponding tax withholding at said value) within the first 90 days of fiscal year 2016 and the remaining 50% (223,790 shares, which must also be adjusted after applying the pertinent tax withholding, according to the share's listing value on the date of the corresponding resolution), which will delivered during the first 90 days of fiscal year 2017. The amount corresponding to shares delivered in 2017 will be included in the annual corporate governance report corresponding to 2017, calculated by the average listed share price on the date of the corresponding resolution.

b) the information shown therein matches the figure in Note 19.1 of the Individual Report and Note 31 of the Consolidated Report, which form part of the financial statements for fiscal year 2016.

(C.1.17)

In addition to the information provided in section C.1.17, Francisco Javier Villalba Sánchez, external proprietary director held the following posts as member of the Board of Directors of significant shareholder companies and/or entities of its group until 1 February 2016:

Name or company name of the director	Company name of the significant shareholder	Position
Villalba Sánchez, Francisco Javier	Elektro Electricidade e Serviços, S.A.	Chairman Director
	Iberdrola USA Networks, Inc.	Chairman Director
	Iberdrola Distribución Eléctrica, S.A.	Chairman Director
	Scottish Power Energy Networks Holdings Ltd.	Chairman Director

Further, Gema Góngora Bachiller was external proprietary director of GAMESA from her appointment on 27 May 2015 at the request of Iberdrola, S.A., subsequently re-elected on 22 June 2016 and until her resignation on 14 September 2016. Doña Gema Góngora Bachiller was therefore linked to the significant shareholder IBERDROLA, S.A., with the post of Executive development and Management Director at Iberdrola, S.A.

(C.1.21)

In addition to the information provided in section C.1.21, according to Significant Event 242722 submitted to the CNMV on 14 September 2016, external proprietary director Gema Góngora Bachiller informed GAMESA of her resignation as voting member of the Board of Directors and Remuneration Committee on the same day.

(C.1.30)

In addition to the information provided in section C.1.30, one director was absent for one session, another director was absent for two sessions, and in these three cases the directors delegated their attendance by proxy to another director of the same category yet with no specific instructions.

In addition to the information provided in section C.1.30, in this regard, non-attendance was not considered in cases of directors in a conflict of interest who, according to article 31 of the Regulations of the Board of Directors, refrained from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters in connection with the conflict.

(C.1.33)

In addition to the information provided in section C.1.33, the Secretary Director of the Board of Directors, as lawyer and in accordance with article 21.5 of the Regulations of the Board of Directors, has acted in the capacity of legal counsel of the Board of Directors. Article 21.4 of the Regulations of the Board of Directors states indicates the duties of the Secretary, in addition to the duties assigned thereto by law or the Corporate Governance Standards.

Secretary Director of the Board of Directors of GAMESA, Carlos Rodríguez-Quiroga Menéndez, also Executive Director thereof, was reelected to his post by the General Shareholders' Meeting on 19 April 2013.

(C.1.35)

In addition to the information provided in section C.1.35, article 28 of the Regulations of the Audit and Compliance Committee of GAMESA regulates the relationships of the cited committee with the External Auditor. The full text is available at www.gamesacorp.com

(C.1.44)

In addition to the information provided in section C.1.44, by virtue of the acquisition by Gamesa Energía, S.A.U. of 50% of Adwen Offshore, S.L. on 5 January 2017 (Significant Event No. 246915), the clause regarding a possible change in control is null and void.

(C.1.45)

In addition to the information provided in section C.1.45, upon the announcement calling the Gamesa 2016 General Shareholders' Meeting, information was made available to shareholders regarding the safeguard and guarantee clauses regarding members of senior management. In particular, this information was included in GAMESA's “2015 Annual Corporate Governance Report”, which was included in the complementary Management Report of the Annual Financial Statements corresponding to the year ending on 31 December 2015.

(C.2.1)

In addition to the information provided in paragraph C.2.1, Carlos Rodríguez-Quiroga Menéndez holds the position of non-member Secretary of the Executive Committee, of the Audit and Compliance Committee and of the Appointments and Remuneration Committees.

It should also be mentioned that as a result of the merger agreement signed between GAMESA and SIEMENS WINDHOLCO, and as reported to the CNMV on 17 June 2016 via Significant Event No. 239868, an Independent Directors Committee was created, independent from the Merger Committee, and comprises exclusively independent directors tasked with fostering the merger until it becomes effective (which will occur with merger's entry onto the Companies Register).

The variations occurring in the committees of the Board of Directors during and since the close of the year are listed below:

Delegated Executive Committee

During its session on 14 September 2016, and following a favorable report from the Appointments Committee, the Board of Directors agreed to appoint Gerardo Codes Calatrava as Proprietary Director of the Board of Directors of the Company, as new voting member of the Delegated Executive Committee to replace Francisco Javier Villalba Sánchez.

Remuneration Committee

During its session on 14 September 2016, and following a favorable report from the Appointments Committee, the Board of Directors agreed to appoint Francisco Javier Villalba Sánchez as Proprietary Director of the Board of Directors of the Company, as new voting member of the Remuneration Committee to replace Proprietary Director Gema Góngora Bachiller.

(C.2.5)

In addition to the information provided in section C.2.5, in its session on 22 February 2017 the Board of Directors of GAMESA approved the amendment of the Regulations of the Audit and Compliance Committee. The cited amendment is essentially technical in nature and its purpose is to adapt the powers of this committee to the new content in article 529 quaterdecies of the Spanish Corporate Enterprises Act. A series of reforms have also been included to further progress in the implementation of the recommendations in the Code of Good Governance.

(D.2)

In addition to the information provided in section D.2, this information is related with Note 32 of the Consolidated Report incorporated in the 2016 Financial Statements.

It should also be noted that the amount attributed to "Received services" of IBERDROLA, S.A., included in cited Note 32 of the Consolidated Report, corresponds to the supply of electricity to facilities of the Gamesa Group by IBERDROLA, S.A., though this amount was not included in section D.2, since it did not merit consideration as relevant.

(D.4)

To complement the information provided in paragraph D.4 note that:

a) Gamesa Group companies established in countries or territories considered to be tax havens according to Law 1080/1991 of 5 July 1991, are classified as operating companies and exclusively carry out ordinary business activities.

b) GAMESA has no transactions with these companies of the Gamesa Group in countries or territories considered to be tax havens according to Decree Law 1080/1991 of 5 July, rather they affect other companies in the Group that are parent companies of the different businesses, and these transactions are:

Company name of the entity in its group	Brief description of the transaction	Report (thousands of euros)
Gamesa Singapore Private Limited	Interest on intragroup financing	167
Gamesa Cyprus Limited	Interest on intragroup financing	18
Gamesa Dominicana, S.A.S.	Interest on intragroup financing	262
Gamesa Mauritius LTD	Interest on intragroup financing	19
Gamesa Cyprus Limited	Intragroup sales and rendering of services	35
Gamesa Dominicana, S.A.S.	Intragroup sales and rendering of services	104
Gamesa Mauritius LTD	Intragroup sales and rendering of services	83
Gamesa Eólica S.L. "Branch Jamaica"	Intragroup sales and rendering of services	108
Gamesa Eolica SL, Jordan	Intragroup sales and rendering of services	1,254

(D.5)

In addition to the information provided in section D.5, this information is related with Note 32 of the Consolidated Report incorporated in the 2016 Financial Statements.

2. Within this paragraph can also be included any other information, clarification or array related to previous paragraphs of the report to the extent that they are relevant and not repetitive.

   Specifically, indicate whether the company is subject to legislation different from the Spanish legislation on corporate governance and, where applicable, include the information that is required that is different from that specified in this report.

3. The company may also indicate whether it has acceded voluntarily to other ethical principles or codes of good practice, international, regional or other. In that case, the code in question and the date of accession shall be identified. In particular, indicate if the company has acceded to the Good Tax Practices Code, of July 20, 2010.

   GAMESA has adhered voluntarily to various codes of ethics or codes of practice, these being the following:

   a) "United Nations Global Compact", which is promoted by the United Nations and its goal is the commitment and support to promote the ten principles of human and labor rights, environmental protection and the fight against corruption. GAMESA voluntarily acceded, as of February 2, 2005, and annually publishes a Progress Report (COP) of review of compliance with these principles.

   b) "Global Reporting Initiative (GRI)" which is promoted by the NGO Global Reporting Initiative. Its goal is to create an environment for the exchange of transparent and reliable information on sustainability through the development of an application framework common to all kinds of organizations. GAMESA acceded voluntarily as of December 14, 2005.

   c) "Caring for Climate: The business leadership platform", promoted as an initiative of the UN Global Compact. Its goal is the involvement of businesses and governments in taking action on climate change, energy efficiency, reduction of emissions of greenhouse gases (GHGs) and positive collaboration with other public and private institutions. GAMESA acceded voluntarily as of June 18, 2007.

   d) "Principles of Empowerment of Women", promoted by UN Women / UN Global Compact of the United Nations and aiming to build stronger economies, establish a more stable and just society, achieve compliance development, sustainability and human rights and improve the quality of life of women, men, families and communities. GAMESA acceded voluntarily as of December 22, 2010.

e) "Code of Conduct for the Development of Wind Farms in the State of New York," sponsored by the Office of the Attorney General of the State of New York (United States) and aiming to promote economic development and renewable energy, and promote public integrity in developing wind farms. GAMESA acceded voluntarily as of March 1, 2012.

f) "Prince of Wales Business Leaders Group on Climate Change" sponsored by The Prince of Wales Corporate Leaders Group on Climate Change. GAMESA has added its signature successively to the releases of Carbon Price (2012), Cancun (2010), Copenhagen (2009) and Poznan (2008) about climate change in the United Nations Framework Convention of the United Nations on Climate Change (UNFCCC). These accessions represent a call from the international business community to foster policies and take actions to combat climate change. GAMESA acceded voluntarily to the "Prince of Wales Business Leaders Group on Climate Change" as of January 21, 2013.

g) "Diversity Charter in Spain", promoted by the Fundación Diversidad, is an initiative supported by the European Commission and the Equality Ministry of Spain, so that the companies that voluntarily sign the Diversity Charter respect the current legislation in opportunity equality and against discrimination, and assume the basic guideline principles established in the declaration. GAMESA acceded oluntarily to the "Diversity Charter in Spain" as of November 3, 2014.

h) "Science Based Targets", a joint initiative of the Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), Word Resources Institute (WRI) and WWF for the purpose of elevating corporate commitments and actions in the fight against climate change. This initiative enables companies to establish emissions reduction targets that are consistent with the decarbonization levels scientifically called for to limit global warming to 2ºC in comparison with pre-industrial levels. GAMESA voluntarily adhered to this initiative on 23 November 2015.

i) "American Business Act on Climate Pledge", promoted by the government of the United States of America with a view to backing the fight against climate change and calling on its parties to adopt a firm commitment at the Paris Summit (COP 21) on 30 November 2015.

j) "Paris Pledge for Action", an inclusive initiative from the French presidency of the COP21 managed by the University of Cambridge Institute for Sustainability Leadership (CISL) that invites companies, regions, cities and investors to join together and take action to further the results of the ONU's Paris Agreement on Climate Change. Over 400 companies, 150 cities and regions, and 120 investors have currently joined this initiative. voluntarily adhered to this initiative on 4 December 2015.

Regarding the Code of Good Tax Practices of 20 July 2010, the Board of Directors of GAMESA approved the adhesion thereto in its session on 22 February 2017 and subsequently the notification to the Spanish Tax Authorities (Agencia Estatal de Administración Tributaria) of the adhesion thereof.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on February 22, 2017.

Indicate whether any Directors voted against or abstained from the approval of this report.

Yes No X

Name or company name of director who did not vote in favor of the adoption of this report	**Reasons (against, abstention, absence)**	**Explanation of the reasons**

CARLOS RODRIGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS "GAMESA CORPORACIÓN TECNOLÓGICA, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222 WITH EMPLOYER IDENTIFICATION NUMBER A-01011253.

HEREBY CERTIFY:

That the text of the management report for 2016 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., authorised for issue by the Board of Directors at its meeting held on February 22, 2017, is the content of the preceding 148 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

José María Aldecoa Sagastasoloa
Member of the Board of Directors

Francisco Javier Villalba Sánchez
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Gerardo Codes Calatrava
Member of the Board of Directors

Zamudio, February 22, 2017. In witness whereof

Approval of the Chairman

Ignacio Martín San Vicente
Chairman and CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2016

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

(Translated from the original in Spanish)

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Auditor's report on information relating to the internal control over financial reporting (ICFR) of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. for 2016

To the Directors,

At the request of the Board of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. (hereinafter the Company), and in accordance with our proposal dated December 2, 2016, we applied certain procedures to the accompanying "ICFR-related information" included in the Corporate Governance Report, hereinafter CGR, (English version pages 70 to 87) for GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and subsidiaries for 2016, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Company's internal control system as a far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Company's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Company's 2015 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with Royal Decree 1/2011, dated July 1, enacting the revised Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular nº 7/2015 dated December 22, 2015.

2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Company.

3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the the Audit Committee.

4. Compare the information contained in section 1 above with the Company's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.

5. Read the minutes of the Board Meetings, Audit Committees, and other Company committees in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.

6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Corporate Enterprises Act, by Circular number 7/2015 of the Spanish National Security Market, related to the description of the ICFR in the Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Alberto Peña Martínez
February 23, 2017

Independent Audit Report

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2016

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 39)

INDEPENDET AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statement of financial position at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

Director´s responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and consolidated results of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor´s responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the consolidated financial statements. The procedures selected depend on the auditor´s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the parent company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity´s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and its subsidiaries at December 31, 2016, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and the other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated 2016 management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2016 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

The original signed in Spanish

February 23, 2017

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

Auditors' Report

Consolidated Financial Statements for the year ended 31 December 2016

Consolidated Management Report

Translation of a report and consolidated financial statements originally issued in Spanish except for the Note 39. In the event of discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

ASSETS	Notes	12.31.16	12.31.15 (*)	EQUITY AND LIABILITIES	Notes	12.31.16	12.31.15 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets				**Of the Parent**	**18**		
Goodwill	**8**	388,174	388,410	Share capital		47,476	47,476
Other intangible assets	**9**	169,491	135,975	Share premium		386,415	386,415
		557,665	**524,385**	Other reserves		1,098,958	976,921
Property, plant and equipment	**10**			Unrealised asset and liability revaluation reserve		(25,699)	7,675
Property, plant and equipment in use		400,797	327,282	Translation differences		3,151	(15,551)
Property, plant and equipment in the course of construction		19,847	31,889	Treasury shares		(46,897)	(46,244)
		420,644	**359,171**	Net profit for the year		301,278	170,216
				Other equity instruments			
Investments accounted for using the equity method	**11**	**121,592**	**127,026**			**1,764,682**	**1,526,908**
Non-current financial assets	**13**						
Derivatives	22	91	7,584	**Of non-controlling interests**	**19**	**320**	**296**
Investment securities		25,009	36,423	**Total equity**		**1,765,002**	**1,527,204**
Other non-current financial assets		5,631	3,384				
Other non-current financial assets, related companies	32	102,286	99,883				
		133,017	**147,274**	**NON-CURRENT LIABILITIES:**			
Deferred tax assets	**25**	**435,367**	**421,788**	**Provisions for contingencies and charges**	**23**	258,929	256,912
Total non-current Assets		**1,668,285**	**1,579,644**	**Bank borrowings**	**21**	424,523	444,902
				Other non-current liabilities	**24**	38,187	43,940
				Deferred tax liabilities	**25**	112,887	115,648
				Derivative financial instruments	**22**	7,176	3,869
				Total non-current liabilities		**841,702**	**865,271**
CURRENT ASSETS:				**CURRENT LIABILITIES:**			
Inventories	**14**	**1,035,633**	**803,259**	**Bank borrowings and other financial liabilities**			
Trade and other receivables	**15 and 17**	**1,226,396**	**988,838**	Bank borrowings	**21**	120,034	102,899
Trade receivables from related companies	**32**	**285,319**	**81,581**	Derivative financial instruments	**22**	59,903	4,265
Tax receivables	**26**	**301,437**	**213,083**			**179,937**	**107,164**
Other receivables		**18,834**	**42,171**	**Trade and other payables**	**17**	**2,405,145**	**1,788,901**
Current financial assets				**Trade payables to related companies**	**32**	**407,358**	**148,721**
Derivative financial instruments	22	12,040	9,662	**Other payables**			
Other current financial assets	12	20,848	16,789	Tax payables	26	173,823	100,273
Other current financial assets from related companies	12 and 32	9,673	7,559	Other current liabilities		120,593	102,288
		42,561	**34,010**			**294,416**	**202,561**
Cash and cash equivalent	**16**	**1,295,268**	**869,333**				
Total current assets		**4,205,448**	**3,032,275**	**Total current liabilities**		**3,286,856**	**2,247,347**
Current assets classified as held for sale	**36**	**21,350**	**28,746**	**Current liabilities associated with assets classified as held for sale**	**36**	**1,523**	**843**
TOTAL ASSETS		**5,895,083**	**4,640,665**	**TOTAL EQUITY AND LIABILITIES**		**5,895,083**	**4,640,665**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated balance sheet at December 31, 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED December 31, 2016 and 2015 (*)

(Thousands of euros)

	Notes	Thousands of euros 2016	2015 (*)
Continuing operations:			
Revenue	**7 and 29.A**	4,611,983	3,503,802
+/- Changes in inventories of finished goods and work in progress		123,712	79,575
Procurements	**29.B**	(3,238,991)	(2,478,139)
Other operating income	**29.A**	76,660	63,448
Staff costs	**29.C**	(407,925)	(341,050)
Other operating expenses	**29.D**	(404,597)	(307,490)
Depreciation	**29.E**	(124,600)	(96,053)
Provisions	**29.E**	(157,047)	(133,305)
Net impairment losses on assets		(1,818)	31,957
OPERATING INCOME		**477,377**	**322,745**
Finance income	**29.F**	26,443	13,599
Finance costs	**29.G**	(49,305)	(47,125)
Exchange differences (gains and losses)		(14,968)	(10,632)
Results of companies accounted for using the equity method	**11**	(3,996)	(24,988)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**435,551**	**253,599**
Income tax on profit from continuing operations	**27**	(124,415)	(76,553)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**311,136**	**177,046**
Discontinued operations:			
Profit from the year from discontinued operations	**36**	(8,740)	(7,172)
NET PROFIT FOR THE YEAR		**302,396**	**169,874**
Non-controlling interests	**19**	(1,118)	342
Total profit for the year attributable to the parent		**301,278**	**170,216**
Earnings per share in euros (basic and diluted) from continuing and discontinued operations attributable to the parent	**35**		
From continuing operations		1.1203	0.6424
From discontinued operations		(0.0316)	(0.0260)
Earnings per share in euros (basic and diluted)		**1.0887**	**0.6164**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated income statement for 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31 2016 AND 2015 (*)
(Thousands of euros)

	Notes	2016	2015 (*)
CONSOLIDATED PROFIT FOR THE YEAR		**302,396**	**169,874**
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
Items that can be transferred subsequently to results:			
Income and expense transferred directly to equity			
Arising from cash flow hedges	**18.C**	(41,413)	9,260
Translation differences		18,702	(14,125)
Tax effect	**18.C**	14,321	(3,001)
		(8,390)	**(7,866)**
TOTAL TRANSFERS TO PROFIT OR LOSS			
Arising from cash flow hedges	**18.C**	(8,438)	(516)
Tax effect	**18.C**	2,156	170
		(6,282)	**(346)**
OTHER COMPREHENSIVE INCOME		**(14,672)**	**(8,212)**
TOTAL COMPREHENSIVE INCOME		**287,724**	**161,662**
Attributable to the Parent		286,606	162,004
Attributable to non-controlling interests	**19**	1,118	(342)
TOTAL COMPREHENSIVE INCOME		**287,724**	**161,662**
From continuing operations		296,464	168,834
From discontinued operations		(8,740)	(7,172)

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated statement of comprehensive income for the 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (*)
(Thousands of euros)

				Restricted reserves									
	Share capital	Share premium	Unrealised asset and liability revaluation reserve	Legal reserve	Reserve for redenomination of capital in euros	Reserve for treasury shares	Treasury shares	Other reserves	Translation differences	Net profit for the year	Interim Dividend	Non-controlling interests	Total equity
Balances at January 1, 2015 (*)	**47,476**	**386,415**	**1,762**	**8,632**	**1**	**24,873**	**(24,873)**	**850,612**	**(1,426)**	**91,848**	**-**	**93**	**1,385,413**
Total comprehensive income for 2015	-	-	5,913	-	-	-	-	-	(14,125)	170,216	-	(342)	161,662
Distribution of 2014 profit:													
Other reserves	-	-	-	862	-	-	-	68,204	-	(69,066)	-	-	-
Dividend in charge of the outcome of 2014	-	-	-	-	-	-	-	-	-	(22,782)	-	-	(22,782)
Treasury share transactions (Notes 3.P and 18.E)	-	-	-	-	-	21,371	(21,371)	(120)	-	-	-	-	(120)
Incentive plans (Note 18.E)	-	-	-	-	-	-	-	1,639	-	-	-	-	1,639
Other transactions	-	-	-	-	-	-	-	847	-	-	-	545	1,392
Balances at December 31, 2015 (*)	**47,476**	**386,415**	**7,675**	**9,494**	**1**	**46,244**	**(46,244)**	**921,182**	**(15,551)**	**170,216**	**-**	**296**	**1,527,204**
Total comprehensive income for 2016	-	-	(33,374)	-	-	-	-	-	18,702	301,278	-	1,118	287,724
Distribution of 2015 profit:													
Other reserves	-	-	-	-	-	-	-	128,025	-	(128,025)	-	-	-
Dividend in charge of the outcome of 2015	-	-	-	-	-	-	-	-	-	(42,191)	-	-	(42,191)
Treasury share transactions (Notes 3.P and 18.E)	-	-	-	-	-	11,783	(11,783)	616	-	-	-	-	616
Incentive plans (Note 18.E)	-	-	-	-	-	(11,130)	11,130	(7,231)	-	-	-	-	(7,231)
Other transactions	-	-	-	-	-	-	-	(26)	-	-	-	(1,094)	(1,120)
Balances at December 31, 2016	**47,476**	**386,415**	**(25,699)**	**9,494**	**1**	**46,897**	**(46,897)**	**1,042,566**	**3,151**	**301,278**	**-**	**320**	**1,765,002**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the statement of changes in consolidated total equity for the year 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FROM CONTINUING OPERATIONS FOR THE YEARS ENDED DECEMBER 31 2016 AND 2015 (*)

(Thousands of euros)

	Notes	2016	2015 (*)
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Cash flows from operating activities:			
Profit before tax		**426,811**	**246,427**
Adjustments for:			
Depreciation charge, provisions and allowances	**9,10,22 and 29.E**	281,647	229,358
Incentive Plan	**18.E and 29.C**	153	1,639
Finance income and costs	**29.F and 29.G**	23,394	45,475
Results of entities valued by the equity method	**11**	3,996	24,988
Net impairment losses on non-current assets	**10 and 11**	1,818	(29,111)
Changes in working capital:			
Change in trade and other receivables		(493,238)	14,861
Change in inventories		(262,083)	(257,211)
Change in trade and other payables		869,480	233,355
Effect of translation differences on working capital of foreign companies		(3,819)	(8,017)
Payments of provisions	**23**	(117,326)	(88,235)
Income taxes charged/(paid)		(54,622)	(60,612)
Interest received		18,614	11,899
Interest paid		(38,506)	(39,752)
Net cash flows from operating activities (I)		**656,319**	**325,064**
Cash flows from investing activities:			
Acquisition of subsidiaries, net of the existing liquid items	**2.G**	8,500	(2,544)
Investments in intangible assets	**9**	(71,979)	(55,520)
Investments in property, plant and equipment	**10**	(139,104)	(112,338)
Investments in other non-current financial assets	**13**	(8,322)	(3,672)
Investments in other current financial assets		(6,347)	(8,005)
Receipts from disposals of intagible assets and property, plant and equipment	**10**	4,681	11,140
Receipts from disposal of financial and non financial assets	**13**	12,640	685
Net Cash flows from investment activities (II)		**(199,931)**	**(170,254)**
Cash flows from financing activities:			
Equity amortisation/(issue) of subsidiaries	**11**	-	5,880
New bank borrowings		14,333	222,441
Dividends paid		(42,191)	(22,782)
Dividends charged	**13.A**	1,980	3,006
Cash outflows relating to bank borrowings		(29,847)	(304,619)
Acquisition and disposals of treasury shares	**18.E**	616	(120)
Net cash flows from financing activities (III)		**(55,109)**	**(96,194)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		**24,656**	**(311)**
Effect of changes on cash and cash equivalents and of transfers to assets classified as held for sale held for sale (V)		**-**	**-**
Net increase in cash and cash equivalents from continuing operations (I+II+III+IV+V)		**425,935**	**58,305**
Cash and cash equivalents from continuing operations at beginning of year	**16**	869,333	811,028
Total cash and cash equivalents from continuing operations at end of year	**16**	**1,295,268**	**869,333**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated statement of cash flows for 2016

Translation of a report and consolidated financial statement originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

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

Notes to the Consolidated Annual Accounts for the year ended December 31, 2016

1. Formation of the Group and its activities

The Company Gamesa Corporación Tecnológica, S.A. (hereinafter "the Company" or "GAMESA") was incorporated as a public limited liability company on January 28, 1976. Its registered office is located at Parque Tecnológico de Vizcaya, Edificio 222, Zamudio (Bizkaia - Spain).

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

a) Subscription and acquisition of shares, or securities that are convertible into shares, or which grant rights for their preferential acquisition, in companies whose shares may be listed or not on Spanish or foreign stock markets.

b) Subscription and acquisition of fixed-income securities or any other securities issued by the companies in which it holds an interest, as well as the granting of participating loans or guarantees.

c) Direct provision to investees of counselling, technical assistance and other similar services related to the management of investees, to their financial structure or to their production or marketing processes.

The indicated activities will focus on the development, design, manufacture and supply of products, installations and technologically advanced services in the renewable energy sector.

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

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

In addition to the operations carried on directly, GAMESA is the head of a group of subsidiaries that engage in various business activities and which compose, together with the Company, the GAMESA Group ("the Group" or "the GAMESA Group"). Therefore, in addition to its own separate financial statements, the Company is obliged to present Group Consolidated Financial Statements for the Group including its interests in joint ventures and investments in associates. The companies that form part of the Group are listed in the Appendix.

The GAMESA Group currently operates as a manufacturing group and principal supplier of cutting-edge products, facilities and services in the renewable energy industry, as well as maintenance services rendered into the following business units (Note 7):

- Wind Turbines (*)
- Operation and maintenance

(*) Wind turbine manufacturing includes the development, construction and sale of energy plants.

A. INFORMATION ON THE ENVIRONMENT

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

2. Basis of presentation of the Consolidated Financial Statements and basis of consolidation

A. BASIS OF PRESENTATION

The Consolidated Financial Statements for 2016 of the GAMESA Group were formally prepared:

- By the directors of GAMESA, at the Board of Directors Meeting held on February 22, 2017.

- Since 2005, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, including the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The Consolidated Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value. The principal accounting policies and measurement bases applied in preparing the GAMESA Group's Consolidated Financial Statements for 2016 are summarised in Note 3.

- Taking into account all the mandatory accounting policies and rules and measurement basis with a material effect on the Consolidated Financial Statements.

- So that they present fairly the consolidated equity and consolidated financial position of the GAMESA Group at December 31, 2016, and the consolidated results of its operations and its consolidated cash flows in the year then ended.

- Based on the accounting records kept by GAMESA and by the rest of the Group companies. However, since the accounting policies and measurement basis used in preparing the Group's Consolidated Financial Statements for 2016 (IFRS) could differ from those used by the Group companies when preparing their individual financial statements in accordance with local standards, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards (IFRS).

The Consolidated Financial Statements of the GAMESA Group for 2015 were approved by the shareholders at the General Meeting of GAMESA held on June 22, 2016 and were filed at the Bizkaia Mercantile Registry. The Group's 2016 Consolidated Financial Statements have not yet been approved by the shareholders at the General Meeting. However, the Board of Directors of GAMESA considers that these Consolidated Financial Statements will be approved without any changes.

B. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In 2016 new accounting standards and amendments came into force and were therefore taken into account when preparing these Consolidated Financial Statements as the following:

B.1) Standards and amendments published by the IASB (*International Accounting Standards Board)* and adopted by the European Union for its aplication in Europe from January 1, 2016:

- Annual improvements to IFRS – Course 2012-2014.
- Amendments to IFRS 11, Accounting for Acquisitions of shareholdings in Joint Operations.
- Amendments to IAS 16 and IAS 38, Clarification of acceptable depreciation methods.
- Amendments to IAS 1, Initiative on information disclosure.
- Amendments to IFRS 10, IFRS 12 and IFRS 28, Investment entities: Application of the Exception of Consolidation.

These standards did not have a significant impact on these Consolidated Financial Statements.

B.2) At the date of preparation of these Consolidated Financial Statements there the following standards, amendments and interpretations whose effective date is subsequent to December 31, 2016 have been issued:

Standards, amendments and interpretations		**Mandatory application for years beginning from**
Amendments to IAS 7	Initiative on Information Disclosure	January 1, 2017
Amendments to IAS 12	Recognition of Tax Assets	January 1, 2017
IFRS 9	Deferred for Unrealized Losses	January 1, 2018
IFRS 15	Revenue from Customers Contracts	January 1, 2018
Clarifications to IFRS 15	Revenue from Customers Contracts (issued April 12, 2016)	January 1, 2018
Amendments to IFRS 2	Classification and Valuation of Transactions with Action-based price	January 1, 2018
Amendments to IFRS 4	Application of the IFRS 9 Financial Instruments with the IFRS 4 Insurance Contracts	January 1, 2018
Amendments to IAS 20	Transfers of Investment Properties	January 1, 2018
Interpretation of IFRIC 22	Transactions in Foreign Currency and Advance Payments	January 1, 2018
Annual improvements to IFRS, 2014-2016 Cycle	-	January 1, 2017 / 2018
IFRS 16	Leases	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sales or Assets Contribution between an Investor and his Associate or Joint Venture	Indefinitely Postponed

To the date of preparation of the present Consolidated Financial Statements and based on analysis performed to date by the Group, the application of most of them will not have a significant impact on the consolidated financial statements on its scheduled date of application.

However the following standards published but not yet effective, the GAMESA group believes that they could have a significant impact on its Consolidated Financial Statements when they are applicable.

IFRS 15 Revenue from Contracts with Customers

The IFRS 15 establishes the criteria for the accounting records of the revenue from contracts with customers. The Group is currently analyzing the potential impacts that the application of this rule might have on its Consolidated Financial Statements, based on this analysis, we have identified a series of expected impacts related to the following aspects:

- The Group carried out a large part of their sales through assets construction contracts and other more complex constructions. For this type of contracts revenues will come recognizing based on the stage of completion of the same in accordance with the accounting policy adopted at present. In accordance with the accounting policy defined in IFRS 15 for the estimation of the time of recognition of income which requires a transfer of control of the goods or services and that offers a series of indicators to assess such transfers, there may be contracts that are currently considered as of continuing the good or service transfer with the new standard would not have this consideration and would be recognized on a point in time that would coincide with the transfer of control.

- On the other hand, the registration of warranty provisions and maintenance revenue could be modified with the application of the IFRS 15 and instead of expenses to be considered would be one part of the revenue that the Group includes in its contracts.

- Finally, the Group is currently analysing the differences that might exist in the treatment of discounts, incentives, modified, adjustments to prices, etc that may arise in negotiations with customers, and the different legal characteristics that can have in the countries where it operates in contracts with clients that can affect the time of recognition of income.

The Group, considering the characteristics of existing contracts and contracts that may be made during the next financial year, estimates that the modifications introduced by the IFRS 15 can have an impact on its Consolidated Financial Statements but also believes that the impact will be limited and the breakdown of the causes and impacts will give enough information so that users can compare the income statements under the standard currently in force and the IFRS 15.

IFRS 9 Financial Instruments

The Group finds that the main changes that the application of this standard offers will be those related to the documentation of hedge policies and strategies, as well as in the estimation of the expected impairment in the financial assets.

The changes in any case will not have a relevant impact on the overall presentation of the Consolidated Annual Accounts.

IFRS 16 Leases

IFRS 16 sets that the tenants must recognize in its balance of situation the assets and liabilities arising from of all lease contracts (except for them agreements of lease to short term and which have by object actives of low value).

The Group has lease contracts of relevant amount, mainly land, buildings and machinery, which are currently registered as operating leases, registering the payments on straight line basis throughout the contract term.

The Group is currently in an estimation process of the impact of this new standard estimating the reasonably certain term in which the lease is going to be made , based on the not cancelable periods and on the periods that is estimated will be extended the term in those cases in which there is a reasonable certainty. In addition to the lease term, assumptions should be applied to calculate the discount rate.

Notwithstanding the above, the standard allows several transitional alternatives, prospective and retrospective, and some practical solutions for the first application that makes that currently it is not possible to determine the impact that will have the future application of the standard although non-cancellable lease commitments contained in Note 29.D can be used as approximation to the desired impact.

On the other hand, depreciation of the right to use subject to lease assets and recognition of interest on the payment obligation will lead to a different presentation of the amounts recognized in the income statement as a lease expense under the current standard. The classification of payments into the statement of cash flows will also be impacted by this new regulation.

C. FUNCTIONAL AND PRESENTATION CURRENCY

The accounting records kept by Group companies are measured using the currency of the principal economic environment in which the company operates («functional currency»). The Consolidated Financial Statements are shown in thousands of euros, which is GAMESA Group's functional and presentation currency.

Transactions denominated in currencies other than the euro are recognised in accordance with the policies described in Note 3.L.

D. RESPONSIBILITY FOR THE INFORMATION

The information gathered in these Consolidated Financial Statements is the responsibility of GAMESA's Board of Directors.

E. INFORMATION RELATING TO PREVIOUS YEAR

As required by IAS 1, the information related to 2016 contained in these notes to the Consolidated Financial Statements is presented, for comparison purposes, with the information relating to 2015 and, accordingly, it does not constitute the GAMESA Group's statutory Consolidated Financial Statements for 2015.

F. BASIS OF CONSOLIDATION

Subsidiaries

The subsidiaries over which the GAMESA Group exercises control were consolidated by full consolidation method.

Subsidiaries are all companies (including structured entities) over which the Group has control. The Group controls a company when it receives, or is entitled to receive, variable yields due to its involvement in the investee company and it has the capacity to use its control to influence these yields.

Subsidiaries are consolidated from the date on which control is transferred to the Group and they are out of the scope from the date that control ceases.

Joint ventures

A joint venture is an entity in which two or more parties maintain joint control, which is understood to be the distribution of control by a contract concluded in the joint venture agreement and which exists only when the decisions regarding relevant activities require the unanimous consent of the parties sharing control.

GAMESA Group records its stakes in joint ventures on an equity basis.

Associated companies

The associates over which the GAMESA Group is in a position to exercise significant influence, but not control, were accounted for in the consolidated balance sheet using the equity method. For the purpose of preparing these Consolidated Financial Statements, it was considered that the GAMESA Group is in a position to exercise significant influence over companies in which it has an investment of between 20% and 50% of the share capital, except in specific cases where, although the percentage of ownership is lower, the existence of significant influence can be clearly demonstrated. Also, significant influence is deemed not to exist in cases where, although an ownership interest of more than 20% is held, the absence of significant influence can be clearly demonstrated. Significant influence is deemed to exist when the GAMESA Group has the power to influence on the financial and operating policies of an investee (Notes 2.G and 11).

A list of GAMESA's subsidiaries, joint ventures and associates, together with the consolidation or measurement bases used in preparing the accompanying Consolidated Financial Statements and other relevant information are disclosed in the Appendix of these Consolidated Financial Statements.

Basic standards of consolidation

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

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

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

- Goodwill is initially measured as the amount in excess paid, the amount of any non-controlling stake in a target company and, in a business combination carried out by stages, the fair value at the acquisition date of any prior stakes in the target company's equity, if any, above the fair value of the identifiable net assets acquired. If the total amount paid, the non-controlling stake recognised and the interest previously maintained is less than the fair value of the acquired company's net assets in the event of very favourable conditions, the difference is recognised directly in the income statement.

- Identifiable assets acquired and liabilities assumed are initially valued at their fair value at the acquisition date.

- For each business combination, the buyer will assess in the acquisition date, the components of non-controlling shareholdings held by the acquiree that constitute current ownership and grant the holder the right to a proportional part of the company's net assets in the event of liquidation, at:

  (a) fair value, or

  (b) the proportional part that the current ownership instruments represent in the amounts recognised by the acquiree as net identifiable assets.

  All other components of non-controlling shareholdings will be measured at their fair value at the date of acquisition, unless IFRS require another basis of valuation.

- The value of non-controlling shareholdings in equity and results of the fully consolidated subsidiaries is presented under “Equity - Of Non-Controlling Interests” in the consolidated balance sheet and “Profit for the Year - Attributable to Non-Controlling Interests” in the consolidated income statement.

- Any contingent compensation to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent compensation that is considered to be an asset or a liability are recognised in the income statement or a change in other comprehensive results in accordance with IAS 39. Contingent compensation that is classified as equity is not remeasured and subsequent payment is recorded under equity.

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

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

- Purchases and sales of non-controlling interests in companies that are and continue to be subsidiaries both prior and subsequent to the aforementioned transactions are considered to be transactions between shareholders and, therefore, the payments made will be recognised in the Group's consolidated equity (Note 19).

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

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

- The accompanying Consolidated Financial Statements include certain adjustments to bring the accounting policies and procedures applied by the subsidiaries into line with those of GAMESA.

- All balances and transactions between fully and proportionally consolidated companies have been eliminated in the consolidation. Gains that arise on intra-group transactions that are recognised as assets are also eliminated (including transactions with associated companies).

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

G. CHANGES IN THE SCOPE OF CONSOLIDATION

The most significant inclusions in the scope of consolidation in 2016 and 2015 were as follows:

<u>Constitution or acquisition of new companies</u>

Year 2016

Company constituted / acquired	Holding company of the stake	Percentage of stake of the Group
Gamesa Apac, S.L.U.	Gamesa Energía, S.A.U.	100%
Gamesa Latam, S.L.U.	Gamesa Energía, S.A.U.	100%
Smardzewo Windfarm Sp. z o.o	Gamesa Energía, S.A.U.	100%
SPV Parco Eolico Banzi S.r.l.	Gamesa Energía, S.A.U.	100%
Gamesa Thailand Co., Ltd	Gamesa Eólica, S.L.U.	100%
Lindomberget Vindenergi AB	Gamesa Wind Sweeden, AB	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	International Wind Farm Development VII S.L.	100%
Nuevas Estrategias de Mantenimiento, S.L.	Gamesa Energía, S.A.U.	50%
SEPE de la Brie des Etangs	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de la Tête des Boucs	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Chepniers	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Orge et Ornain	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Bonboillon	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Souvans	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Sambourg	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Pringy	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Soudé	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Chaintrix Bierges	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Plancy l'Abbaye	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Coupetz	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Trépot	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Bouclans	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Savoisy	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de La Loye	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Longueville sur Aube	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Sceaux	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Guerfand	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%

Company constituted / acquired	Holding company of the stake	Percentage of stake of the Group
SEPE d'Orchamps	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Vaudrey	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Pouilly-sur-Vingeanne	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Mantoche	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Vernierfontaine	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Broyes	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Saint-Lumier en Champagne	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Songy	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Margny	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Saint Bon	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Cernon	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Champsevraine	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Romigny	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Sommesous	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Clamanges	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Saint Amand	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Landresse	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Mailly-le-Camp	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
9ren España, S.L. y sociedades dependientes	Gamesa Corporación Tecnológica, S.A / Gamesa Energía, S.A.U.	100%

On December 17, 2015, the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 50% of the share capital of Nuevas Estrategias de Mantenimiento, S.L., a Spanish company mainly dedicated to the design, production, development and commercialization of engineering and technological solutions for an amount of €4,500 thousands, being this operation subject to the compliance of several precedent conditions that have been finally resolved in May 2016 , moment at which the results of this society are integrated using the equity method (Note 11). Other mentioned companies are fully consolidated.

Year 2015

Company incorporated / acquired	Holding company of the stake	Percentage of stake of the Group
Adwen Offshore, S.L.	Gamesa Energía, S.A.U.	50%
Gamesa Eólica, S.L. "Branch Jamaica"	Gamesa Eólica, S.L.U.	100%
Gamesa Belgium, S.R.L.	Gamesa Eólica, S.L.U.	100%
Gamesa Israel Ltd.	Gamesa Eólica, S.L.U.	100%
Gamesa Mauritius Ltd.	Gamesa Eólica, S.L.U.	100%
B9 Energy O&M Limited	Gamesa Wind UK, Ltd.	100%

At the end of 2015, the aforementioned companies were fully consolidated with the exception of Adwen Offshore, S.L. which is integrated by the equity method.

On March 9, 2015, the GAMESA Group signed with Areva, S.A. (hereinafter “AREVA”) and other companies of its group, the necessary agreements for the constitution of a company participated 50% by both groups to which each part provides with its offshore business and through which that business was exclusively performed (Note 11 and 38).

On July 29, 2015 the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 100% of the share capital of B9 Energy O&M Limited, a North Irish company mainly dedicated to the render of wind farm maintenance services both in Ireland and United Kingdom, for an amount of

€2,687 thousands (Note 8). At the acquisition date, that company had cash and cash equivalents for an amount of €143 thousands.

Exits from the scope of consolidation - Sales

Year 2016

Company	Activity	Registered Address	%
SAS SEPE Champagne Berrichonne	Operation of wind farms	France	100%
Sistemas Energéticos La Jimena, S.A.	Operation of wind farms	Spain	100%
Energiaki Kali Chitsa, S.A.	Operation of wind farms	Greece	100%
Energiaki Flabouro EPE	Operation of wind farms	Greece	100%
Llynfi Afan Renewable Energy Park Ltd.	Operation of wind farms	UK	100%
Parco Eolico Forleto Nuovo 2 S.r.l	Operation of wind farms	Italy	100%

Year 2015

Company	Activity	Registered Address	%
Medicine Bowl Wind LLC	Operation of wind farms	USA	100%
Southern Windfarm sp. Zoo. W Organizacji	Operation of wind farms	Poland	100%
Windfarm Horst GmbH	Operation of wind farms	Germany	100%
Société D'exploitation Du Parc Eolien Du Tonnerois	Operation of wind farms	France	100%
Suchan Sp z.o.o.	Operation of wind farms	Poland	100%
SAS SEPE du Plateu	Operation of wind farms	France	100%
Eólica dos Arbolitos, S.A.P.I. de C.V.	Operation of wind farms	Mexico	100%
New Broadband Network Solutions, S.L.	Manufacturing and Holding Company	Spain	31.19%

Exits from the scope mainly corresponded to wind farms that have been sold during 2016 and 2015 and whose net assets were classified as stock, so that the sale of them, as it is stated in Note 3.A., has been registered in “Revenue” of 2016 and 2015 consolidated income statement, for an equivalent to the sum of the wind farm’s shares price and the net debt related to that wind farm.

Exits from the scope of consolidation - Winding up of companies

Year 2016

Company	Activity	Registered Address	%
Gamesa Bulgaria, EOOD	Development of wind farms	Bulgaria	100%
Abruzzo Vento, Srl	Operation of wind farms	Italy	100%
2Morrow Energy, LLC	Operation of wind farms	USA	100%
Llanfynydd Renewable Energy Park Ltd.	Operation of wind farms	UK	100%
Shap Renewable Energy Park Ltd.	Operation of wind farms	UK	100%

Year 2015

Company	Activity	Registered Address	%
Sistemas Energéticos Ortegal, S.A.	Electric power production	Spain	80%
Ger Cerbal S.R.L.	Electric power production	Romania	100%
Ger Jirlau S.R.L.	Electric power production	Romania	100%
Ger Ponor S.R.L.	Electric power production	Romania	100%
Ger Pribeagu S.R.L.	Electric power production	Romania	100%
Ger Bordusani S.R.L.	Electric power production	Romania	100%

Company	Activity	Registered Address	%
Coemga Renovables, S.L.	Operation of wind farms	Spain	100%
Coemga Renovables 1 ,S.L.	Operation of wind farms	Spain	100%
Gamesa wind (Tianjin) Co. Ltd, Shanxi Branch	Manufacturing wind turbine components	China	100%
Zefiro Energy S.R.L.	Operation of wind farms	Italy	100%

Changes in the shareholdings of subsidiaries

Year 2016

On December 30, 2016 the GAMESA Group acquired the participation of 51% of 9Ren España, S.L., reaching 100% of this company. The compensation for this 51% has amounted to 8.5 million of euros (Note 11).

Year 2015

The GAMESA Group increased its stake in Lingbo SPW AB in 2015, up to the 100% of the stake of that company over which already had the control. That amendment had no significant impact in the net consolidated equity at December 31, 2015.

Likewise, on March 9, 2015 the GAMESA Group has given the 100% of its stake in Sistemas Energéticos Arinaga, S.A. for the set-up of the new subsidiary at 50% with Areva focused on the offshore business (Notes 10.A and 11).

Other corporate transactions

Year 2016

During 2016, the company Cametor, S.L. has been absorbed by merger in Gamesa Energía, S.A.Unipersonal society by what has not meant any variation in the perimeter of the group.

Also, during the year 2016 has been modified the name of the following companies:

Previous Denomination	New Denomination
Sistemas Energéticos Ventorrillo, S.A.U.	Sistemas Energéticos Ladera Negra, S.A.U.
SAS SEPE Ecueille	SAS SEPE Cote du Cerisat
Windfarm 38 Gmbh	Windfarm Ganderkesee-Lemwerder GmbH
Sistemas Energéticos los Nietos, S.A.U.	Sistemas Energéticos Tomillo, S.A.U.
Infraestructura Generación Valdeconejos, SL.	Sistemas Energéticos Finca de San Juan, S.L.
Harelaw Renewable Energy Park Ltd.	Sellafirth Renewable Energy Park Limited
International Wind Farm Developments III, S.L.	Sistemas Energéticos Tablero Tabordo,S.L.U.
Aberchalder Renewable Energy Park Ltd.	Bargrennan Renewable Energy Park Limited

Year 2015

During 2015, the company Compass Transworld Logistics, S.A. was taken over through merger into the company Gamesa Eólica, S.L.U. so that no variation in the scope of the Group has been occurred.

Additionally, during 2015 the company Gamesa Wind Poland, Sp. Zoo was taken over through merger into the company Gamesa Energía Polska Sp. Zoo. The company Gamesa Energy Sweeden AB was merged by absorption in the company Gamesa Wind Sweden AB, changes that did not have effect on the scope of the Group.

Likewise, during 2015, Cantarey Reinosa, S.A. and Gamesa Electric Power Systems, S.L. were absorbed by Gamesa Electric, S.A. This change did not affect to the scope of the Group.

Finally, during 2015, Gamesa Inversiones Energéticas Renovables S.C.R de régimen simplificado, S.A.Unipersonal has changed its firm name to Gamesa Inversiones Energéticas Renovables, S.A.Unipersonal; also, Gamesa Wind Turbines Private, Ltd changed its firm name to Gamesa Renewable, Ltd.

3. Accounting principles and policies and measurement methods applied

A. REVENUE RECOGNITION

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

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

Each wind farm that has been already sold adopts the legal structure of a public or private limited liability company (see Appendix), the shares of which are fully consolidated in the accompanying Consolidated Financial Statements. As a general rule, a wind farm is effectively sold once it has entered into operation and has successfully completed the start-up period.

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

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

B. STAGE OF COMPLETION

The GAMESA Group applies the percentage of completion method (Note 17) to firm wind farm construction contracts and contracts for the sale of WTGS to non-Group third parties that have the following characteristics:

- There is a firm commitment for the buyer.
- The total revenues to be received may be estimated with an acceptable degree of confidence.
- The costs up until fulfilment of the contract, and the degree of completion to date, can be reliably estimated.
- If the contract is unilaterally finished by the buyer, the latter is obliged to compensate the GAMESA Group for at least the costs and profit margin accrued up to the date of termination.

This policy involves the recognition as revenue in the consolidated income statement of the result of applying to the estimated overall profit margin on each contract for the sale of wind farms the stage of completion of the wind farm at the end of the reporting period.

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

The GAMESA Group recognises the total cost incurred plus the relevant margin in excess of that corresponding to the related stage of completion under "Trade and Other Receivables" and "Trade Receivables from Related Companies" in the consolidated balance sheet with a credit to "Revenue" in the consolidated income statement. The costs incurred on the manufacture of wind turbines and the relevant construction of wind energy plants are charged against the heading "Procurements" in the consolidated income statement (Note 17).

If the total estimated costs exceed the contract revenue, the related loss is recognised immediately in the consolidated income statement (Notes 3.Q).

If circumstances arise that change the initial estimates made for ordinary income, costs or the extent of completion, the estimates are changed. Revisions may result in increases or decreases in estimated income and costs and they are reflected in the income statement in the period in which the circumstances giving rise to those revisions are known by management.

C. GOODWILL

Goodwill is initially measured as the amount in excess paid, the amount of any non-controlling stake in a target company and, in a business combination carried out by stages, the fair value at the acquisition date of any prior stakes in the target company's equity above the fair value of the identifiable net assets acquired. If the total amount paid, the non-controlling stake recognised and the interest previously maintained is less than the fair value of the acquired company's net assets in the event of very favourable conditions, the difference is recognised directly in the income statement.

Goodwill is not depreciated and at least at the end of each financial year it has to be estimated if there has been any impairment that reduce its recoverable value to an amount smaller than the net cost registered, doing, in such case, an appropriate provision (Note 3.F).

D. OTHER INTANGIBLE ASSETS

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

Internally generated intangible assets - Development expenditure

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

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

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

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

In-house work performed by the GAMESA Group on intangible assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of the hourly costs of the employees engaged therein), and is recognised with a credit to the account “Other Operating income - Group work on non-current assets” in the consolidated income statement (Note 29.A).

The amortisation of development expenditures begins when the projects are in the conditions necessary for them to be capable of operating in the manner initially intended by the GAMESA Group. The expenditure is amortised in general on a straight-line basis over the estimated period of time that the new product will generate economic benefits, in a maximum of 5 years.

Concessions, patents, licences, trademarks and similar

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

Software

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the GAMESA Group are recognised with a charge to "Other Intangible Assets" in the consolidated balance sheet. The costs of maintaining computer systems are charged against the consolidated income statement in the year in which they are incurred.

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

E. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, which are all for own use, are stated in the balance sheet at acquisition cost less any accumulated depreciation and any recognised impairment losses. In addition to purchase price, acquisition cost includes non-recoverable indirect taxes and any other costs related directly to the entry into service of the asset for its intended use (including interest and other borrowing costs incurred during the construction period).

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

In-house work performed by the GAMESA Group on property, plant and equipment assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of the hourly costs of the employees engaged therein), and is recognised with a credit to the account "Other operating income - Group work on non-current Assets" in the consolidated income statement (Note 29.A).

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

	Average estimated useful life
Buildings	20 – 33
Plant and machinery	5 – 10
Other property, plant and equipment	3 – 10

Since the GAMESA Group does not have to incur any significant costs in relation to the closure of its facilities (disassembly or other similar costs) the accompanying consolidated balance sheet does not include any provisions in this connection.

F. ASSET IMPAIRMENT

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

In the case of goodwill and other intangible assets with an indefinite useful life or which have not yet came into operation, at the end of each reporting period GAMESA Group systematically analysis their recoverability, unless they present signs of impairment, in which case it will be directly estimated the recoverable amount of that asset (Notes 3.C, 8, 9 and 10).

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

The discount rates used by the GAMESA Group are based on the weighted average cost of capital (WACC), which is 8.2% (8.5% in 2015), depending on the risks associated with each specific asset.

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

G. INVENTORIES

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

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

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

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

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

If a wind farm held for sale has been in operation for more than one year and has no related third-party purchase commitment, purchase option or similar agreements, and none is any foreseen, the non-current assets assigned thereto are transferred from "Inventories" to "Property, Plant and Equipment - Property, Plant and Equipment in Use" in the consolidated balance sheet.

Obsolete, defective or slow-moving inventories have generally been registered at realisable value.

H. FINANCIAL ASSETS AND LIABILITIES

Financial investments

Investments are recognised initially at fair value plus the transaction costs for all financial assets not carried at fair value through changes in profit or loss. Financial assets stated at fair value through changes in profit and loss are initially recognised at their fair value and the transaction costs are expensed in the income statement.

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

- Financial assets at fair value through changes in profit or loss: These assets have certain of the following characteristics:
  - The GAMESA Group intends to generate a profit from short-term fluctuations in their prices.
  - They have been included in this asset category since initial recognition, since they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
  - Derivative financial instruments that do not qualify for hedge accounting.

  The financial assets included in this category are stated in the consolidated balance sheet at fair value, and the changes in fair value are recognised under "Finance Costs", "Finance

Income” and “Exchange Differences (Gains and Losses)”, as appropriate, in the consolidated income statement.

The GAMESA Group recognises in this category derivative financial instruments which, although they are effective as hedges in accordance with the GAMESA Group’s risk management policies, do not qualify for hedge accounting under IAS 39, Financial Instruments. At December 31, 2016 and 2015, the impact of these financial instruments on the accompanying Consolidated Financial Statements is not material (Note 22).

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

  At December 31, 2016 and 2015, the GAMESA Group did not have any financial assets in this category.

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

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

  However, investments in the share capital of unlisted companies whose fair value cannot be measured reliably are measured at acquisition cost. This procedure was used for all the available-for-sale financial assets at December 31, 2016 and 2015 (Note 12).

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

Category of financial assets at fair value

Following is the analysis of the financial instruments which at December 31, 2016 and 2015 were measured at fair value subsequent to their initial recognition, classified in categories from 1 to 3, depending on the fair value measurement method:

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

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

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

Thousands of euros	Fair value at December 31, 2016 Category 1	Category 2	Category 3	Total
Non-current Financial Asset				
Derivative financial instruments (Note 22)	-	91	-	91
Current Financial Asset				
Derivative financial instruments (Note 22)	-	1,790	10,250	12,040
Non-current Liability				
Derivative financial instruments (Note 22)	-	(7,176)	-	(7,176)
Current Liability				
Derivative financial instruments (Note 22)	-	(42,818)	(17,085)	(59,903)
Total	**-**	**(48,113)**	**(6,835)**	**(54,948)**

Thousands of euros	Fair value at December 31, 2015 Category 1	Category 2	Category 3	Total
Non-current Financial Asset				
Derivative financial instruments (Note 22)	-	7,584	-	7,584
Current Financial Asset				
Derivative financial instruments (Note 22)	-	9,662	-	9,662
Non-current Liability				
Derivative financial instruments (Note 22)	-	(3,869)	-	(3,869)
Current Liability				
Derivative financial instruments (Note 22)	-	(4,265)	-	(4,265)
Total	**-**	**9,112**	**-**	**9,112**

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

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

- Hedging and trading derivatives consist of forward exchange rate contracts, interest rate swaps and raw material swaps (electricity). These forward exchange rate contracts have been stated at fair value using the forward exchange rates listed on an active market. Interest-rate swaps are measured at fair value using forward interest rates extracted from observable yield curves. Raw material swaps are measured at fair value using the prices and interests from observable yield curves. The effects of discounting are generally not significant for level 2 derivatives.

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

- The amounts reflected in level 3 refer to the options given and received for the purchase of Adwen, which is described in Note 38.

- The Group's policy is to recognize transfers to or from the fair value hierarchy levels on the date of the event concerned or the date on which the circumstances that gave rise to the transfer change.

- There have been no transfers at any level during 2016.

- The measurement criteria for the derivatives at December 31, 2016 are those taken into consideration by IFRS 13, considering credit risk, including the one of GAMESA, over the fair value of certain financial instruments. Credit risk is the possibility of incurring a loss if the counter party to a transaction does not fully comply with its financial obligations agreed by contract in due time, form or amount. However, in general terms, it may also be defined as a decline in the value of assets due to the impairment of the counterparty's credit rating, even in the case where the counterparty fully complies with agreed payments. The impact due to the adjustment for credit risk made to the measurement of financial instruments depends on several factors.

- A higher nominal amount implies a larger loss in the event of delinquency by one of the parties.
- Longer-term means higher credit risk.
- Counterparty credit ratings are the primary risk factor.
- Guarantees are signed in order to reduce the exposure to counterparty credit risk.

The application of IFRS 13 to the measurement of derivatives at December 31, 2016 and 2015 did not give rise to any significant impact.

The effect of credit risk on the measurement of financial instruments depends on their future settlement. In the event that the settlement is favourable to the Group, a credit spread for the counterparty is included to quantify the probability of non-payment at maturity. Otherwise, if the settlement is expected to be negative for the Group the credit risk itself is applied to the final settlement for the Group. To determine whether or not the future settlements are favourable to the Group, a stochastic model must be used that simulates the performance of the derivative in various scenarios using complex mathematical models based on the volatility of the underlying asset, and applying the resulting credit spread in each simulation. The fair value of the rest of the financial assets and liabilities measured at amortized cost is considered to approximate their carrying value in accordance with IFRS 13.

Impairment of financial assets

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

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

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

- financial difficulty of the issuer or significant counterparty;
- default or delay in interest or principal repayments; or
- likelihood that the borrower will go bankruptcy or a financial reorganisation process.

Cash and cash equivalents

“Cash and Cash Equivalents” in the consolidated balance sheet includes cash on hand, demand deposits and other highly liquid short-term investments that can be readily realised in cash (within a maximum of 3 months) and are not subject to a risk of changes in value (Note 16).

Bank borrowings

Loans, bonds and similar interest-bearing items are initially recognised at the amount received, net of direct issue costs, under “Bank Borrowings” in the consolidated balance sheet. Borrowing costs are recognised on an accrual basis in the consolidated income statement using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise. Also, obligations under finance leases are recognised at the present value of the lease payments under this consolidated balance sheet heading (Note 21).

Trade payables

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

Derivative financial instruments and hedge accounting (Note 22)

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

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

- In the case of cash flow hedges, the changes in the fair value of the hedging derivatives are recognised, in respect of the ineffective portion of the hedges, in the consolidated income statement, and the effective portion is recognised under “Equity - Of the parent - Unrealised asset and liability revaluation reserve” and “Equity - Of the parent - Conversion Differences”, respectively, in the consolidated balance sheet. If a hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, this balance is taken into account in the initial measurement of the asset or liability arising from the hedged transaction. If a hedge of a firm commitment or forecasted transaction does not result in the recognition of a non-financial asset or a non-financial liability, the amount recognised under “Equity - Of the parent - unrealised asset and liability revaluation reserve” in the consolidated balance sheet is recognised in the consolidated income statement in the same period as that in which the hedged item affects the net profit or loss.

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

When hedge accounting is discontinued, any cumulative loss or gain at that date recognised under “Equity - Of the parent - Unrealised asset and liability revaluation reserve” is retained under that heading until the hedged transaction occurs, at which time the loss or gain on the transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned heading is transferred to the consolidated income statement.

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

Financial liabilities and equity instruments

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

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

Disposal of financial instruments

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

The Group derecognises the collection rights assigned ("factorized") and drawn down, since the rewards, rights and risks associated with these accounts receivable are contractually transferred to the factor, and, specifically, the factor assumes the related bad debt risk. The unmatured balances receivable arising from without-recourse factoring transactions at December 31, 2016 that were derecognised by the Group amounted to €197 million (€120.5 million at December 31, 2015). The average amount of factored receivables in 2016 was €109 million (€175.5 million in 2015).

An exchange of debt instruments between a lender and borrower, provided that the instruments have substantially different conditions, will be recognised as the cancellation of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the current conditions governing a financial liability or a portion thereof (regardless of whether or not it is attributable to financial difficulties affecting the debtor) is recognised as a cancellation of the original financial liability and a new financial liability is recognised (Note 21).

I. NON-CURRENT ASSETS (OR DISPOSAL GROUPS OF ASSETS) CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

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

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

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

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

There are events and circumstances that could spend the period necessary to complete the sale beyond one year. An extension of the period required to complete a sale does not mean that the asset (or disposable group of assets) is classified as held-for-sale if the delay is caused by events or circumstances outside of the company's control and there is sufficient evidence that the company remains committed to its plan to sell the asset (or disposable group of assets).

A discontinued transaction or activity is a component that has been sold or otherwise disposed of, or classified as held for sale and:

- represents a significant line of business or a geographic area and which may be considered to be independent from the rest;
- forms part of an individual and co-ordinated plan to sell or otherwise dispose of a significant line of business or a geographic area of operations that may be considered to be independent from the rest, or
- is a subsidiary acquired solely for the purpose of resale.

J. LEASES

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

Assets held under finance leases are classified in the appropriate asset category in the consolidated balance sheet based on their nature and function at the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus the purchase option, with a credit to “Bank borrowings” in the consolidated balance sheet. These assets are depreciated using methods similar to those used for the assets owned by the GAMESA Group (Notes 3.D, 3.E and 10).

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

K. SEGMENT REPORTING

Reporting on operating segments is presented in accordance with the internal information that is provided to the maximum decision-taking authority. The maximum decision-taking authority has been identified, and is responsible for assigning resources and evaluating performance of operating segments, as the Board of Directors which is in charge of taking strategic decisions.

L. TRANSACTIONS IN FOREIGN CURRENCY

Group companies

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

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

Transactions and balances

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

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

Exchange differences arising on a monetary item that forms part of the net investment in a company's foreign investment is recognised in profit and loss in the separate financial statements for the reporting company, or in the individual financial statements for the foreign business, as appropriate. In the Consolidated Financial Statements that can attain the foreign business and the reporting company, those exchange differences are initially recognised as a component separate from equity under the heading exchange differences and they are subsequently recognised in profit and loss when the foreign business is disposed or the investment is recovered fully or partially by other means (Note 20).

The hedges that the GAMESA Group uses to reduce foreign currency risk are described in Note 22.

The detail of the equivalent euro value of the monetary assets and liabilities denominated in currencies other than the euro held by the GAMESA Group at December 31, 2016 and 2015 is as follows:

	Equivalent value in thousands of euros			
	12.31.2016		12.31.2015	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Pound Sterling	23,939	14,351	5,428	2,216
US Dollar	499,801	476,588	524,599	663,275
Japanese Yen	2,048	2,046	1,931	702
Egyptian Pound	13,033	9,219	25,649	14,969
Chinese Yuan	332,669	250,434	274,089	289,796
Polish Zloty	27,069	2,187	5,945	6,788
Indian Rupee	637,975	556,782	381,159	263,946
Brazilian Real	260,715	282,972	280,326	248,149
Moroccan Dirham	26,377	1,601	9,95	18,851
Romanian Lev	1,843	1,451	762	5,003
Mexican Peso	153,231	21,901	94,418	5,525
Other currencies	68,881	49,378	23,660	37,725
Total	**2,047,581**	**1,668,910**	**1,627,916**	**1,556,945**

The detail of the main foreign currency balances, based on the nature of the items concerned, is as follows:

	Equivalent value in thousands of euros			
	12.31.2016		12.31.2015	
Nature of the Balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trade receivables (Note 15)	930,083	-	934,781	-
Cash and other equivalent liquid assets (Note 16)	1,117,498	-	693,135	-
Payables	-	1,628,052	-	1,491,301
Bank borrowings (Note 21)	-	40,858	-	65,644
Total	**2,047,581**	**1,668,910**	**1,627,916**	**1,556,945**

M. GOVERNMENT GRANTS

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

Grants related to income are allocated to income in the year in which the related expenses are incurred. “Other operating income” in the consolidated income statements for 2016 and 2015 includes €959 and €664 thousands, respectively, in this connection (Note 29.A).

N. CLASSIFICATION OF CURRENT AND NON-CURRENT LIABILITIES

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

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

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

O. INCOME TAX

Since 2002 GAMESA and certain subsidiaries located in the Basque Country subject to local income tax legislation pay taxes under the special consolidated tax regime. This regime is now regulated under the chapter VI of the title VI of the local Income Tax Regulation 11/2013, of December 5, of the Bizkaia Historical Territory.

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

Since 2005, Gamesa Technology Corporation, Inc. and its subsidiaries are taxed by the Federal Income Tax under the Consolidated Tax consolidation of the United Estates, being Gamesa Technology Corporation, Inc. the parent company of the Fiscal Group.

Foreign companies and the rest of the Spanish companies that are not taxed under tax consolidation are taxed in accordance with the legislation in force in their respective jurisdictions.

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

However, if the deferred taxes arise from the initial recognition of an asset or liability on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are recognised.

The GAMESA Group recognises deferred tax assets to the extent that it is expected that there will be future taxable profits against which tax assets arising from temporary differences can be utilised (Notes 25 and 27).

Deferred income tax is provided on temporary differences arising on subsidiary's undistributed profits, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

P. PARENT COMPANY TREASURY SHARES

The treasury shares held by the Parent of the GAMESA Group at year-end are recognised at acquisition cost with a charge to “Equity - Of the Parent - Treasury Shares” in the consolidated balance sheet (Note 18.E).

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

Q. PROVISIONS

A distinction is drawn between:

- Provisions: present obligations at the balance sheet date arising from past events which are uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated companies; or possible obligations, whose occurrence is unlikely or whose amount cannot be reliably estimated.

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

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

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

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required by the GAMESA Group to settle its liability, calculated on the basis of historical information and reports drawn up by the Technical Department (Note 23).

Present obligations deriving from those contracts considered to be onerous are recognised and recorded as provisions (Notes 3.B and 23). Onerous contracts are considered to be those in which the unavoidable costs to comply with the associated obligations exceed the financial benefits that are expected to be received from those contracts.

Court proceedings and/or claims in progress

At December 31, 2016 and 2015, certain litigation and claims were in progress against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and its Directors consider that the provisions recognised for this purpose are sufficient and that the outcome of these proceedings and claims will not have an additional material effect on the Consolidated Financial Statements for the years in which they are settled (Note 23).

At December 31, 2016 and 2015, there were no significant contingent liabilities or provisions that had not been recognised or disclosed in these Consolidated Financial Statements.

R. TERMINATION BENEFITS

Under current labour legislation, the consolidated companies are required to pay termination benefits to employees terminated under certain conditions. The provisions related to restructuring processes when the Group has the implicit obligation to cover an outflow of resources due to the existence of a detailed formal plan and the generation of valid expectations among affected parties that the process will take place, either because the plan has started to be executed or because its main characteristics have been announced. The provisions for restructuring only include the payments that are directly related to restructuring that are not associated with the Group's continuing operations.

S. SHARE-BASED PAYMENT

Equity-settled share-based payments are measured at the fair value of these obligations at the date of grant. This fair value is expensed on a straight-line basis over the vesting period, based on the GAMESA Group's estimate of the shares that will ultimately be delivered and credited to equity (Note 18.E).

Fair value is measured using the market prices available on the measurement date, taking into account the characteristics of the related plan.

If a concession of equity instruments is cancelled or liquidated during the period in which the concession is irrevocable (for a reason other than cancellation for failure to comply with the conditions for its irrevocable nature), GAMESA Group recognises the cancelation or liquidation as an acceleration of the consolidation of rights and, accordingly, will immediately recognise the amount in accordance with the preceding paragraphs that otherwise would have been recognised for the services received over the course of the period remaining for complying with the conditions.

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

T. CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

- Investing activities: The acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: Activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

There have been no significant additional non-monetary transactions in 2016 and 2015.

U. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For such purposes, conversion is deemed to take place at the start of the period or when the potentially dilutive ordinary shares are issued, where they have become outstanding during the period in question.

Basic earnings per share in 2016 and 2015 coincided with diluted earnings per share, since there were no potential shares outstanding in those years (Note 35).

V. DIVIDENDS

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

During the fiscal years 2015 and 2016 have not been distributed interim dividends.

W. INTEREST COST

General and specific interest expense directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily require a substantial period of time to be prepared for use or sale, the cost of those assets is added, up until the time at which they are substantially prepared for use or sale.

Financial income obtained on the temporary investment of specific loans until used on qualifying assets is deducted from the interest expense that may be capitalised.

All other interest expenses are recognised in the income statement in the year in which they are incurred.

4. Financial risk management policy

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

A. MARKET RISK (FOREIGN CURRENCY RISK)

This risk arises as a result of the international transactions carried out by the GAMESA Group in the ordinary course of its business. Part of its revenues and its expenses are denominated in US dollars, Indian rupees, Chinese yuan, Brazilian reals and Mexican pesos and, to a lesser extent, other currencies apart from the euro. The main line of action of the hedging strategy is based on maximizing natural hedging of the business by locating the supply of components and the manufacturing in the main regions where the GAMESA Group is established and sells its products (e.g. India, Brazil, China, Mexico, etc.).

In line with this, the Group also includes in certain circumstances formulas to mitigate exchange rate risk in the contracts with its clients.

However, the Group also uses financial instruments and hedging strategies in order to manage the exposure of the results to the foreign currency risk, which are affected by fluctuations that occur in the exchange rates.

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

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

The Group’s risk management policy is to cover up to a maximum of 85% of projected cash flows in each principal currency in the following period ranging normally from 18 to 24 months. Periodically, new cash flow forecasts are updated in order to manage the adequate hedging strategy.

The main foreign currency balances at December 31, 2016 and 2015 are detailed in Note 3.L to the accompanying notes to the Consolidated Financial Statements.

The instruments used to hedge against this risk are basically exchange rate swaps (Note 22).

The following table shows the effects on profit and loss and equity of the changes in exchange rates at the year-end for the Group's most significant currencies:

Thousands of euros		**Debit / (Credit) (*)**			
		Devaluation 5% of euro		**Appreciation 5% of euro**	
Currency	**Exchange rate at 12.31.2016**	**Impact on profits before taxes**	**Impact on equity before taxes**	**Impact on profits before taxes**	**Impact on equity before taxes**
US Dollar	1.0541	(1,636)	(10,231)	1,480	9,257
Chinese Yuan	7.3202	(1,620)	(5,450)	1,466	4,931
Indian Rupee	71.5922	(4,963)	(12,573)	4,490	11,375
Brazilian Real	3.4305	(1,207)	(5,725)	1,092	5,180
Mexican Peso	21.7742	(451)	(2,950)	408	2,669

Thousands of euros		**Debit / (Credit) (*)**			
		Devaluation 5% of euro		**Appreciation 5% of euro**	
Currency	**Exchange rate at 12.31.2015**	**Impact on profits before taxes**	**Impact on equity before taxes**	**Impact on profits before taxes**	**Impact on equity before taxes**
US Dollar	1.0887	(866)	(6,426)	783	5,814
Chinese Yuan	7.0608	(1,585)	(13,365)	1,434	3,652
Indian Rupee	72.0203	(2,903)	(9,390)	2,627	8,503
Brazilian Real	4.3117	(940)	(4,345)	851	3,931
Mexican Peso	18.7873	(556)	(2,316)	503	2,096

(*) Income and equity increase in negative and expenses and equity decrease in positive.

B. MARKET RISK (PRICE)

The price risk considered by the Group is related to the price of raw materials that the Group mitigates, in general, transferring the risk to customers through sales contracts.

C. MARKET RISK (INTEREST RATE)

The GAMESA Group uses external financing sources for the performance of some of their operations, and it is exposed to rising interest rates on its debt.

Loans at variable rates expose the Group to interest rate risk, which is partially offset by cash held at variable rates. Loans at fixed rates expose the Group to fair value interest rate risks.

The hedging instruments assigned specifically to debt instruments are limited to a maximum of the same nominal amounts and have the same established maturities as the hedged items (Note 22).

The GAMESA Group carries out management of interest rate risk analyzing periodically, at least every six months, the loans exposure to the interest rates and terms, determining the ideal percentage of fixed or variable rate, always with non-speculative hedging purposes.

The debt structure at December 31, 2016 and 2015, drawing a distinction between fixed and floating rate borrowings (Note 21), is as follows:

Thousands of euros	2016		2015	
	Excluding hedges	Including hedges	Excluding hedges	Including hedges
Fixed Income	-	218,455	-	220,777
Variable Rate	544,557	326,102	547,801	327,024

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

The sensitivity of results and equity to changes in interest rates, taking into consideration the effect of the interest rate hedging derivatives, is as follows:

Thousands of euros	Debit / (Credit) (*)			
	Variation in interest -0.25%		Variation in interest +0.25%	
	Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
Year 2016	(992)	(8)	992	8
Year 2015	(1,646)	(6)	1,646	6

(*) Income and equity increase in negative and expenses and equity decrease in positive.

D. LIQUIDITY RISK

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

Also, in 2016 the GAMESA Group had an average of unused credit facilities equal to approximately 67.12% of the bank financing drawn down (66.42% in 2015).

E. CREDIT RISK

The GAMESA Group is exposed to credit risk to the extent that a counterparty or customer does not meet its contractual obligations. Products and services are sold to customers that have an appropriate and adequate credit history with respect to which solvency analysis are established.

In addition, the GAMESA Group's customer portfolio is mainly made up of large electric companies with high credit ratings. For customers with no credit rating and in the case of international sales to non-recurring customers, mechanisms such as irrevocable letters of credit and insurance policies are used to ensure collection. Also, the financial solvency of customers is analysed and specific terms and conditions are included in contracts aimed at guaranteeing payment of the stipulated price.

The analysis of the age of financial assets outstanding for which no provision whatsoever has been deemed necessary at December 31, 2016 and December 31, 2015 is as follows:

Thousands of euros	2016	2015
90 - 180 days	34,607	18,784
More than 180 days	94,161	85,107
Total	**128,768**	**103,891**

Moreover, historically the Group considered that, due to the characteristics of the customers, receivables with a maturity that is less than 90 days have no credit risk because it is considered the normal payment period of the industry.

The credit quality of cash and other cash equivalents at December 31, 2016 and 2015 is as follows:

Thousands of euros	2016	2015
AA-	1,921	7,506
A+	373,311	32,009
A	130,084	188,195
A-	152,508	114,197
BBB+	477,512	209,702
BBB	28,702	204,655
BBB-	48,483	50,074
BB+ or lower	82,747	62,995
Total	**1,295,268**	**869,333**

5. Estimates and sources of uncertainty

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

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

- As indicated in Note 3.D and 3.E, the GAMESA Group determines the estimated useful lives and the relevant depreciation/amortisation charges for its intangible assets and property, plant and equipment. The Group will increase the depreciation/amortisation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

- The GAMESA Group estimates the current provisions required for guarantees for possible repairs and start-up costs that the Group will have to incur in connection with sales of WTGSs (Note 3.Q).

- The GAMESA Group has made certain assumptions in order to calculate the liability arising from obligations to employees (Notes 3.R and 18.E). The fair value of those financial instruments granted as share-based payments that are not traded in an active market is determined by using measurement techniques. The Group uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. Changes in these assumptions would not have a significant impact on these Consolidated Financial Statements.

- The impairment tests require the estimation of the future evolution of the businesses and the most appropriate discount rate in each case. The GAMESA Group believes that its estimates in this area are adequate and coherent with the current economic environment and they reflect its investment plans and the best estimates available regarding its future revenues and income, and it considers that its discount rates adequately reflect the risks relating to each cash generating unit.

- GAMESA analysis its accounts receivable and, on the basis of its best estimates, quantifies the amount thereof that could be uncollectible (Note 15).

- The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognizes liabilities for potential tax claims based on an estimation of whether or not additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise (Note 27).

- The GAMESA Group recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured (Note 25).

- As it is indicated in Note 36, the assets and liabilities relating to the development activity in the United States are presented as disposal groups held for sale after the decision by Management to suspend the development and sale of wind farms in the United States.

- Operations of the GAMESA Group in the United Kingdom mainly correspond with the activity of operation and maintenance of wind farms, as well as, promptly, the execution of construction projects and commissioning underway farms. The direction of GAMESA believes that the risk posed by their activities of operation and maintenance in the United Kingdom is not significant. With regard to the activity of construction of parks, the part of the risk related to the effects of exchange rate changes on operations is being covered in accordance with the general policy of covering exchange risks (Note 4.A).

Although these estimates were made on the basis of the best information available at December 31, 2016 and 2015 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

6. Application of results

At the date of preparation of these Consolidated Financial Statements, the Management Board of Directors of GAMESA, in line with the dividend policy communicated to the market, estimates that will propose to the General Shareholders' Meeting for its approval, the proposed distribution of net profit for the year 2016 as shown below, determined according to Spanish accounting regulations applicable to the Statutory Financial Statements of the company:

	Thousands of euros
Basis of distribution	
Profit for the year	87,105
Total	**87,105**
Distribution	
Voluntary reserves	11,784
Dividend	75,321
Total	**87,105**

As is described in the Note 37, GAMESA has signed an agreement of merger with Siemens. The General Shareholders' Meeting of October 25, 2016 approved the merger and also, agreed subject to the effectiveness of the same, changes in the composition of the Board of Directors as well as an increase in capital to meet the exchange with 401,874,595 new shares. In the event that the effectiveness of the merger took place before the Ordinary General Shareholders' Meeting of 2017, it corresponds to the constituted Management Board to propose the corresponding agreement of dividend distribution between all the shares after the aforementioned capital increase.

7. Segment reporting

The reportable segments of the GAMESA Group are adapted to the operating configuration of the business units and to the financial and management information used by the executive boards of the Group being the following at December 31, 2016 and 2015:

- Wind Turbines (*)
- Operation and maintenance

(*) Wind turbine manufacturing includes the development, construction and sale of energy plants.

The segments were taken to be business units, since the GAMESA Group is organisationally structured in this manner, and the internal information generated for the Board of Directors and is also presented in this way.

A. INFORMATION BY BUSINESS UNITS

Revenue

The breakdown, by segment, of consolidated revenue for the years ended December 31, 2016 and 2015 is as follows:

	Thousands of euros	
Segment	**2016**	**2015**
Wind Turbines	4,140,818	3,033,097
Operation and Maintenance	471,165	470,705
Net revenue from continued operations	**4,611,983**	**3,503,802**

Profit for the year

The breakdown, by segment, of the contribution to the profit after tax for the years ended December 31, 2016 and 2015 is as follows:

Segment	Thousands of euros 2016	2015
Continuing Operations		
Wind Turbines	407,367	230,417
Operation and Maintenance	70,010	63,164
Capital gains and constitution of Adwen (Note 11)	-	29,164
Total Results Segment Operations	**477,377**	**322,745**
Unassigned results	(51,684)	(75,976)
Corporate income tax	(124,415)	(76,553)
Results for the year attributable to the Parent company	**301,278**	**170,216**

(*) This item includes financial results.

There are costs of structure supporting both business units, which amount is subject to allocation among both segments. The allocation is performed according to the contribution that each business unit has in the amount of the consolidated turnover of the Group.

Expenses and financial income and corporation tax have not been assigned to the operating segments because they are jointly managed by the Group.

B. GEOGRAPHICAL INFORMATION

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

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

The most significant disclosures in this regard are as follows:

Revenue

The breakdown, by geographical segment, of revenue at December 31, 2016 and 2015 is as follows:

	2016		2015	
Geographical area	**Thousands of euros**	**%**	**Thousands of euros**	**%**
Spain	239,346	5.2%	312,137	8.9%
Rest of Europe	658,959	14.3%	428,417	12.2%
United States	555,236	12.0%	469,179	13.4%
China	199,140	4.3%	274,549	7.8%
India	1,378,654	29.9%	814,005	23.2%
Brazil	447,211	9.7%	620,045	17.7%
Mexico	438,835	9.5%	179,426	5.1%
Rest of the world	694,602	15.1%	406,044	11.7%
Total	**4,611,983**	**100%**	**3,503,802**	**100%**

Total assets

The breakdown, by geographical segment, of the total assets at December 31, 2016 and 2015 is as follows:

Geographical area	12.31.2016 Thousands of euros	%	12.31.2015 Thousands of euros	%
Spain	2,163,123	36.7%	1,711,184	36.9%
Rest of Europe	187,385	3.2%	334,582	7.2%
United States	542,635	9.2%	539,153	11.6%
China	472,333	8.0%	409,490	8.8%
India	1,301,287	22.1%	716,370	15.4%
Brazil	560,106	9.5%	499,695	10.8%
Mexico	458,974	7.8%	219,289	4.7%
Rest of the world	209,240	3.5%	210,902	4.6%
Total	**5,895,083**	**100%**	**4,640,665**	**100%**

Investment in assets

The breakdown, by geographical segment, of the investments in property, plant and equipment and other intangible assets at December 31, 2016 and 2015 is as follows:

Geographical area	12.31.2016 Thousands of euros	%	12.31.2015 Thousands of euros	%
Spain	105,804	50.1%	76,453	45.5%
Rest of Europe	558	0.3%	4512	2.7%
United States	3,510	1.7%	9,324	5.6%
China	11,128	5.3%	13,388	8%
India	61,767	29.2%	41,711	24.8%
Brazil	8,080	3.8%	18,061	10.8%
Mexico	19,550	9.3%	3,548	2.1%
Rest of the world	686	0.3%	861	0.5%
Total	**211,083**	**100%**	**167,858**	**100%**

8. Goodwill

The disclosure of "Goodwill" by cash-generating units is as follows:

Thousands of euros	12.31.2016	12.31.2015
"Wind Turbines" cash generating unit	266,862	266,862
"Operation and Maintenance" cash generating unit	121,312	121,548
Total	**388,174**	**388,410**

On July 29, 2015, the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 100% of B9 Energy O&M Limited share capital, a North Irish company mainly dedicated to the maintenance of wind farms both in Ireland and in the United Kingdom for an amount of €2,687 thousands.

Goodwill that arose from that operation amounted to €1,654 thousands and has been totally assigned to the “Operation and Maintenance” cash generation unit.

As indicated in Note 3.C, at least once a year the Group assesses whether its goodwill has become impaired. In this regard, for the purposes of performing the impairment test, the goodwill was entirely allocated to each of the cash-generating units that are consistent with the segments identified by the Group (Note 7): “Wind Turbines" and "Operation and Maintenance”, since they are both the smallest identifiable groups of assets that the Group’s directors use to monitor them, as provided for in IAS 36.

A. GOODWILL ALLOCATED TO THE “WIND TURBINE” CASH-GENERATING UNIT

For the goodwill identified with the WTGS cash generation unit, the recoverable amount of the cash generating unit taken as a whole was measured by reference to their value in use, which was calculated on the basis of cash flow projections (approved by management) which represent the best estimates covering a period of 5 years and an estimated residual value as a perpetual return of a year that does not contain cyclical or seasonal factors, with a growth rate of 1%.

The cash flows considered correspond to those generated by the cash generating unit “Wind turbines”, engaging in general in the design, development, manufacture and sale of WTGSs and their related components, and the research and development activities associated therewith, and the promotional activities necessary to sell wind energy plants. These production activities are planned and managed jointly by the management of GAMESA regardless of the geographic location of the promotion and installation activity, based on availability and efficiency criteria.

In order to calculate the value in use, the assumptions made include the discount rate based on the weighted average cost of capital (WACC), which reflects time value of money and the risks specific to each cash-generating unit, amounting 8.2%.

From a business standpoint, the following key assumptions were made in 2016:

- Growth in the MW sold (4,332 MW in 2016), in line with the update of the Business Plan 2015-17 with the latest market estimates and projections of the Company, mainly due to the increase in the global demand, particularly in the emerging countries' markets.
- Maintenance in the actual recurrent operating margins.
- Investment control in line with the Business Plan´s guides, and progressive improvement in line with the Business Plan 2015-17, of working capital over sales ratio, due to the aligning of the production to the portfolio entries and to the optimization of all the items composing the current assets (inventories, trade receivables, etc.).

Based on the estimates and projections available to the Directors of GAMESA, the income forecasts attributable to each of the cash generating unit to which the aforementioned goodwill was allocated adequately support the amounts of goodwill recognised at December 31, 2016.

In addition, from a perspective of analysing sensitivity, the GAMESA Group has applied sensitivity calculations to the results of this impairment test, recording the following reasonable changes in the key assumptions:

- 5% decrease in the MW sold in coming years.
- 5% decrease in average margin per MW.
- 5% increase in fixed costs.

These sensitivity analysis performed individually for each key assumption would not reveal the existence of any impairment.

Furthermore, GAMESA has performed a sensitivity analysis, consisting of increasing the discount rate by 50 basis points and decreasing the growth rate by 50 basis points, which would not lead to the need to record any impairment.

B. GOODWILL ALLOCATED TO THE "OPERATIONS AND MAINTENANCE" CASH-GENERATING UNIT

For the goodwill identified with the operating and maintenance cash-generating unit, the recoverable amount of the cash generating unit taken as a whole was measured by reference to their value in use, which was calculated on the basis of cash flow projections (approved by management) which represent the best estimates covering a period of 5 years and an estimated residual value as a perpetual return of a year that does not contain cyclical or seasonal factors, with a growth rate of 1%.

The cash flows taken into consideration relate to those generated by the business unit "Operations and Maintenance", generally engaged in operating and maintenance activities at wind energy plants in the portfolio. These production activities are planned and managed jointly by the management of GAMESA regardless of the geographic location of the promotion and installation activity, based on availability and efficiency criteria.

In order to calculate value in use, the assumptions made include the discount rates based on the weighted average cost of capital (WACC), include the factors involved in which the time value of money and the risks associated with the cash generating unit, which stand at 8.2%.

From a business standpoint, the following key assumptions were made in 2016:

- Growth in the MW maintained over the coming years in accordance with the update of the Business Plan 2015-17 with the latest market estimates and projections of the Company.

- Increase in the actual EBIT margin above the wind turbine segment.

Based on the estimates and projections available to the Directors of GAMESA, the income forecasts attributable to each of the cash generating unit to which the aforementioned goodwill was allocated adequately support the amounts of goodwill recognised and, therefore, no problems regarding the recovery of the aforementioned goodwill were detected at December 31, 2016.

In addition, from a perspective of analysing sensitivity, at December 31, 2016 the GAMESA Group applied sensitivity calculations to the results of this impairment test, recording the following reasonable changes in the key assumptions:

- 5% decrease in the MW maintained in coming years.
- 5% decrease in average margin per MW.
- 5% increase in average cost per MW.

These sensitivity analysis performed individually for each key assumption would not reveal the existence of any impairment.

Furthermore, GAMESA has performed a sensitivity analysis, consisting of increasing the discount rate by 50 basis points and decreasing the growth rate by 50 basis points, which would not lead to the need to record any impairment.

Therefore, in accordance with the estimates and projections available to the Group, the outlook for both the Wind Turbine and Operating and Maintenance cash generating units to which the goodwill is assigned, adequately support the value of the goodwill recognised at December 31, 2016 and, as a result, there is no impairment whatsoever.

9. Other intangible assets

The changes in "Other Intangible Assets" in the consolidated balance sheet in 2016 and 2015 were as follows:

Thousands of euros	Development Costs	Concessions, patents, licenses, trademarks and similar	Computer software	Prepayments	Total
Cost					
Balance at 01.01.2015	**536,920**	**28,059**	**83,795**	**653**	**649,427**
Additions	44,234	2,263	5,623	3,400	55,520
Disposals	(257,155)	-	(751)	-	(257,906)
Exchange differences in foreign currency	2,417	361	215	-	2,993
Transfers	-	-	2,909	(2,909)	-
Balance at 12.31.2015	**326,416**	**30,683**	**91,791**	**1,144**	**450,034**
Changes in the consolidation method	-	409	1,370	-	1,779
Additions	54,669	3,622	8,550	5,138	71,979
Disposals	(68)	-	(5,906)	-	(5,974)
Exchange differences in foreign currency	94	174	147	-	415
Transfers	1,782	-	5,871	(5,108)	2,545
Balance at 12.31.2016	**382,893**	**34,888**	**101,823**	**1,174**	**520,778**
Amortisation					
Balance at 01.01.2015	**(203,509)**	**(22,066)**	**(61,174)**	**-**	**(286,749)**
Charge for the year (Note 29.E)	(22,911)	(191)	(9,135)	-	(32,237)
Disposals	22,133	-	721	-	22,854
Exchange differences in foreign currency	(124)	(14)	(112)	-	(250)
Transfers	-	-	-	-	-
Balance at 12.31.2015	**(204,411)**	**(22,271)**	**(69,700)**	**-**	**(296,382)**
Changes in the consolidation method	-	(409)	(1,370)	-	(1,779)
Charge for the year (Note 29.E)	(31,585)	(286)	(9,409)	-	(41,280)
Disposals	-	-	5,983	-	5,983
Exchange differences in foreign currency	(95)	(7)	(50)	-	(152)
Transfers	-	-	-	-	-
Balance at 12.31.2016	**(236,091)**	**(22,973)**	**(74,546)**	**-**	**(333,610)**
Impairment losses					
Balance at 01.01.2015	**(127,211)**	**(420)**	**-**	**-**	**(127,631)**
Impairment loss recognised in the year	2,600	-	-	-	2,600
Exchange differences in foreign currency	(1,912)	-	-	-	(1,912)
Transfers	109,266	-	-	-	109,266
Balance at 12.31.2015	**(17,257)**	**(420)**	**-**	**-**	**(17,677)**
Impairment loss recognised in the year	-	-	-	-	-
Exchange differences in foreign currency	-	-	-	-	-
Disposals and reversal of impairment losses corrections and other	-	-	-	-	-
Balance as at 12.31.2016	**(17,257)**	**(420)**	**-**	**-**	**(17,677)**
Total other intangible assets at 12.31.2015	**104,748**	**7,992**	**22,091**	**1,144**	**135,975**
Total other intangible assets at 12.31.2016	**129,545**	**11,495**	**27,277**	**1,174**	**169,491**

During 2016 and 2015, the main increase in "Development costs" is due to the development of the "WTG" division (mainly in the subsidiary Gamesa Innovation and Technology, S.L. Unipersonal), of new wind turbine models (mainly the development of the G132 – 3.3 MW wind turbine) and optimization of the components performance for an amount of €51,458 thousands and €42,058 thousands, approximately and respectively.

The remaining capitalised development expenditure corresponds to improvements in technology fully in use.

At December 31, 2014 the most significant development project related to the Multi-MW platform which allowed the development of both onshore and offshore projects and that took part in the transmission of offshore business to Adwen Offshore, S.L. in 2015 as described in Note 11, and whose effect made this section decrease for an amount of €145,755 thousands at the ending balance of December 2015.

The impairment provision reflected at December 31, 2016 and 2015, relates mainly to development costs incurred until 2012 in specific developments, basically related to the design of blades, on which there were doubts about its ability to generate future cash flows.

Research and development expenses not capitalised during 2016 amounted €11 million (€12 million in 2015).

Fully amortised intangible assets in use at December 31, 2016 and 2015 amounted approximately to €271,904 thousands and €247,720 thousands, respectively and approximately.

At December 31, 2016, the GAMESA Group had intangible asset purchase commitments amounting to €1,858 thousands (€2,151 thousands in December 31, 2015).

10. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2016 and 2015 were as follows:

Thousands of euros	Land and buildings	Technical facilities and machinery	Other property, plant and equipment	Property, plant and equipment under construction	Total
Cost					
Balance at 01.01.2015	**220,942**	**334,120**	**442,642**	**17,596**	**1,015,300**
Change in the consolidation scope (Note 2.G)	-	695	613	(74)	1,234
Additions	813	20,172	43,114	48,239	112,338
Disposals	(1,442)	(21,382)	(25,962)	(1,972)	(50,758)
Exchange differences in foreign currency	8,661	3,301	4,261	(1,554)	14,669
Transfers	8,004	2,631	32,559	(30,346)	12,848
Balance at 12.31.2015	**236,978**	**339,537**	**497,227**	**31,889**	**1,105,631**
Changes in the consolidation method scope (Note 2.G)	-	6,336	2,248	-	8,584
Additions	2,746	8,413	59,566	68,379	139,104
Disposals	(4,486)	(1,954)	(5,795)	(1,750)	(13,985)
Exchange differences in foreing currency	2,548	2,327	7,371	24	12,270
Transfers	14,591	12,670	52,102	(78,695)	668
Balance at 12.31.2016	**252,377**	**367,329**	**612,719**	**19,847**	**1,252,272**

Thousands of euros	Land and buildings	Technical facilities and machinery	Other property, plant and equipment	Property, plant and equipment under construction	Total
Depreciation					
Balance at 01.01.2015	**(66,345)**	**(177,048)**	**(294,596)**	**-**	**(537,989)**
Change in the consolidation scope (Note 2.G)	-	(443)	(436)	-	(879)
Charge for the year (Note 29.E)	(8,486)	(21,290)	(34,040)	-	(63,816)
Disposals	1,440	6,892	11,187	-	19,519
Exchange differences in foreign currency	(2,405)	(1,240)	(4,118)	-	(7,763)
Transfers	2	2,880	(18,217)	-	(15,335)
Balance at 12.31.2015	**(75,794)**	**(190,249)**	**(340,220)**	**-**	**(606,263)**
Changes in the consolidation method Scope (Note 2.G)	-	(3,300)	(1,312)	-	(4,612)
Charge for the year (Note 29.E)	(8,436)	(16,651)	(58,233)	-	(83,320)
Disposals	758	991	4,222	-	5,971
Exchange differences in foreign currency	(845)	(1,938)	(3,817)	-	(6,600)
Transfers	(2)	(5,328)	6,266	-	936
Balance at 12.31.2016	**(84,319)**	**(216,475)**	**(393,094)**	**-**	**(693,888)**
Impairment losses					
Balance at 01.01.2015	**(21,742)**	**(52,272)**	**(69,760)**	**-**	**(143,774)**
Change in the consolidation scope (Note 2.G)	(30)	-	-	-	(30)
Application recognized in the year	(2,936)	**-**	659	**-**	(2,277)
Impairment loss recognised in the year	-	7,227	85	-	7,312
Disposals	(547)	-	(3,219)	-	(3,766)
Exchange differences in foreign currency	6,114	(6,112)	2,336	-	2,338
Balance at 12.31.2015	**(19,141)**	**(51,157)**	**(69,899)**	**-**	**(140,197)**
Application recognized in the year	1,408	5	903	-	2,316
Impairment loss recognised in the year	-	-	(640)	-	(640)
Disposals	-	-	-	-	-
Exchange differences in foreign currency	(40)	1	116	-	77
Transfers	6	(1,864)	2,562	-	704
Balance at 12.31.2016	**(17,767)**	**(53,015)**	**(66,958)**	**-**	**(137,740)**
Total Property, Plant and Equipment at 12.31.2015	**142,043**	**98,131**	**87,108**	**31,889**	**359,171**
Total Property, Plant and Equipment at 12.31.2016	**150,291**	**97,839**	**152,667**	**19,847**	**420,644**

A. INVESTMENTS FOR THE FINANCIAL YEAR

The main additions in 2016 relate mainly to the investments related to the new blades manufacturing plant in India, as well as the purchase of molds associated to blades G114 among the different production plants. The main additions in 2015 related mainly to three new production lines of blades G114 in India, as well as the purchase of molds associated to blades G114 among the different production plants.

The disposals during the year 2016, mainly relate to the dismantling of the plant of Gamesa Eólica, S.L. located in Tudela. The disposals during the year 2015, basically related to the disposal of various plants, closed production lines or production lines with no activity in Spain and USA which were fully depreciated or provisioned, and with the transmission of a wind facility in Arinaga (offshore prototype) to Adwen Offshore, S.L. (Note 11) in 2015 whose effect led to a decrease of €15,498 thousands.

The provisions at December 31, 2016 and 2015 are basically related to the amount provisioned in previous years referred to impairments derived from:

- Installations, molds and tools affected by the introduction of new processes and application of other technologies, mainly in blade plants
- Closure of industrial plants
- Capacity adjustments
- Low return on assets in use- wind farms in Spain

B. LEASING CONTRACTS

At December 31, 2016 and 2015, GAMESA has no financial leases.

C. TOTALLY DEPRECIATED ASSETS

The amounts of operating tangible assets fully depreciated at December 31, 2016 and 2015 amounted €448,960 thousands and €355,601 thousands, respectively. At December 31, 2016 and 2015, most of them correspond to molds and tools for the manufacture of wind turbines.

D. COMMITMENTS FOR THE ACQUISITION OF ASSETS

At December 31, 2016 the GAMESA Group companies had property, plant and equipment purchase commitments amounting €26,262 thousands (€29,263 thousands in 2015) approximately, related mainly to production facilities and new developments of wind facilities and its components.

E. INSURANCE COVERAGE

The GAMESA Group takes out insurance policies to adequately insure its property, plant and equipment. Also, the GAMESA Group has taken out insurance policies to cover the WTGS while they are being assembled.

11. Investments carried under the equity method

The breakdown of the investments in associates of the GAMESA Group at December 31, 2016 and 2015 is as follows:

Company	Shareholding %	Thousands of euros	
		12.31.2016	12.31.2015
Adwen Offshore, S.L. (Note 2.G)	50% (*)	48,963	74,064
Windar Renovables, S.L. (Note 32)	32%	63,728	41,468
9Ren España, S.L.	- (**)	-	6,624
Nuevas Estrategias de Mantenimiento, S.L. (Note 2.G)	50%	4,933	-
Others	-	3,968	4,870
Total		**121,592**	**127,026**

(*) Acquisition of the other 50% at January 5, 2017 (Note 38).
(**) Company participated at 49% at December 31, 2015 and acquired at 100% at December 31, 2016.

The changes occurred in 2016 and 2015 under this heading in the consolidated balance sheet were as follows:

	Thousands of euros	
	2016	2015
Beginning Balance	**127,026**	**56,203**
Changes in consolidation scope and/or consolidation method (Note 2.G)	(1,022)	100,000
Profit for the year	(18,996)	(24,988)
Reversion of the provision	15,000	-
Others	(416)	(4,189)
Ending Balance	**121,592**	**127,026**

The heading "Changes in the consolidation scope and/or consolidation method" includes:

Year 2016

On December 17, 2015, the GAMESA group subscribed a purchase/sale agreement for the acquisition of the 50% of the share capital of Nuevas Estrategias de Mantenimiento, S.L., a Spanish company mainly dedicated to the design, manufacture, development and commercialization of technological solutions and of engineering, for an amount of €4,500 thousands. This transaction was subjected to the fulfillment of certain suspension clauses which were finally resolved on May 2016. From that moment on, the result of this company are fully integrated.

On December 30, 2016, the GAMESA Group acquired the 51% participation in 9Ren España, S.L. (hereinafter "9Ren"), reaching the 100% of the company. The compensation of this 51% amounted €8.5 million.

This acquisition supposed the existence of a combination of businesses as a result of the control change, since the payed value essentially matches with the 51% of the Cash and cash equivalents held in the Company at the moment of the purchase (€17 million), being the value of the remaining assets and liabilities of the society of an insignificant amount and matching with its fair value. As a result, no goodwill was generated.

Since the acquisition date was on December 30, 2016, 9Ren has not contributed with relevant amounts of income nor profits for continuing operations before taxes. If the business combination had been done at the beginning of the year, the volume of business would have amount €2,270 thousands and the profit for continuing operations before taxes of the Group would have been €2,257 thousands lower.

The external costs of this transaction are not material.

Year 2015

On March 9, 2015, the GAMESA Group signed with Areva S.A. (hereinafter "Areva") and other companies of its group the necessary agreements for the constitution of a new society participated company by both groups at 50% to which each part provides with its offshore business and through which this business is exclusively developed. The signature of these agreements took place once all the required authorizations and the precedent conditions that were agreed on July 7, 2014 were met. The new company, Adwen Offshore, S.L. (hereinafter "Adwen" or "JV" has its registered office in Zamudio (Spain) and employ, together with its subsidiaries, 700 employees in its headquarters of Spain, France, Germany and United Kingdom.

Regarding the agreements reached for the constitution of the JV, the GAMESA Group provided with its offshore business whose new assets amounted a book value of €161,253 thousands that mainly corresponded to development and prototype expenses related with the Multi-MW platform (Notes 9 and 10).

In compensation, the GAMESA Group registered an investment in its consolidated balance sheet under the equity method for the fair value of the stake of the business for an amount of €100,000 thousands and a debit balance of €95,000 thousands recorded in the section "Other non-current financial assets, associated companies", that accrued an interest of Euribor plus 2% with maturity until 2024 (€98,740 thousands at December 31, 2016) and delivering to a net tax (€8,166 thousands) capital gain of €20,998 thousands. The gross amount of the capital gain once the costs related to the operation are discounted, decreased to €29,164 thousands and was registered in "Profit/loss on disposal of non-current assets and impairment of assets" of accompanying consolidated income statement at December 31, 2015 (Note 7.A).

In 2015, the disposal of New Broadband Network Solutions, S.L. took place (Note 2.G). Since it was fully provisioned, it did not have any impact on the Consolidated Annual Accounts at December 31, 2015.

The breakdown of consolidated assets, liabilities, revenues and expenses of companies recognised using the equity method at December 31, 2016 and 2015 is as follows:

Financial information related to joint ventures

Financial information summarized at December 31, 2016 and 2015 (at 100% and before the intercompany eliminations) related to the most significant joint ventures registered by equity method is as follows:

	Thousands of euros	
Adwen Offshore, S.L. and subsidiaries	**12.31.2016**	**12.31.2015**
Total non-current assets	876,227	910,238
Total current assets	580,229	390,627
Total Assets	**1,456,456**	**1,300,865**
Total equity	97,925	148,128
Total non-current liabilities	716,343	781,218
Total current liabilities	642,188	371,519
Total Liabilities and Equity	**1,456,456**	**1,300,865**

	Thousands of euros	
Adwen Offshore, S.L. and subsidiaries	**12.31.2016**	**12.31.2015**
Income from ordinary activities	248,616	29,540
Depreciation and amortization	(19,719)	(11,292)
Interest income	1,719	809
Interest expenses	(11,216)	(5,846)
Expenditure / income on the income tax	286	(333)
Net profit from continuing operations	(52,561)	(49,931)
Other overall result	-	-
Total global result	**(50,426)**	**(52,065)**
Other Information		
Cash and cash equivalents	4,668	90,409
Current financial liabilities (*)	(172,725)	(147,038)
Non-current financial liabilities (*)	(416,177)	(381,125)

(*) Excluding other debts, as well as commercial creditors, other accounts payable and provisions for liabilities and charges, includes the total bank borrowings which amounts €251 million (€61 million at December 31, 2015). Among the current financial liabilities, the bank borrowings amount €172 million at the ending balance of 2016, €1 million at the ending balance of 2015, and among non-current financial liabilities amount to €79 million at the ending balance of 2016, €60 million at the ending balance of 2015. In addition, the loans received from both shareholders at the beginning of the JV, and which amounts, in the case of GAMESA, €99 million (€97 million in 2015) and, in the case of Areva €238 million (€235 million in 2015).

	Thousands of euros
Nuevas Estrategias de Mantenimiento, S.L.	**12.31.2016**
Total non-current assets	965
Total current assets	4,805
Total Assets	**5,770**
Total equity	4,256
Total non-current liabilities	384
Total current liabilities	1,130
Total Liabilities and Equity	**5,770**

	Thousands of euros
Nuevas Estrategias de Mantenimiento, S.L.	**12.31.2016**
Income from ordinary activities	4,765
Depreciation and amortization	(35)
Interest income	13
Interest expenses	(10)
Expenditure / income on the income tax	658
Net profit from continuing operations	678
Other overall result	-
Total global result	**678**
Other Information	
Cash and cash equivalents	2,295
Current financial liabilities	138
Non-current financial liabilities	384

During the years 2016 and 2015 no dividends were received from these companies.

As a result of the impairment test of Adwen no impairment has been required.

This impairment has been done taking into consideration the future cash flows expected for the following years, considering a progressive growth in the activity, with a growth rate of 1.5% and a discount rate based on the weighted average cost of capital-WACC estimated to these effects on 9.25%. The key hypothesis used have been the followings:

- Growth in the units sold (MW) in the following years up to reasonable market fees.
- Improvement of the profit over sales derived from the increase in volume and the evolution of the learning curve.

In addition, from sensitivity analysis perspective, the GAMESA Group has done sensitivity calculations of the results of the impairment test gathering the following reasonable changes in the key hypothesis:

- 5% decrease of the sold MW in the following years.
- 5% decrease of the gross margin over sales.

These sensitivity analysis individually done for each key hypothesis have not revealed the existence of an impairment at December 31, 2016.

In addition, GAMESA has done a sensitivity analysis consistent on increasing the discount rate on 50 basis points, and the decrease of the growth rate on 50 basis points, variation which has not lead to the necessity of any impairment record.

Financial information related to associated companies

Financial information summarized at December 31, 2016 and 2015 (at 100% and before the intercompany eliminations) related to the most significant associated companies registered by the equity method is as follows:

	Thousands of euros
Windar Renovables, S.L. and subsidiares	**12.31.2016**
Total non-current assets	72,527
Total current assets	123,223
Total Assets	**195,750**
Total equity	86,968
Total non-current liabilities	19,509
Total current liabilities	89,273
Total Equity and Liabilities	**195,750**

	Thousands of euros
Windar Renovables, S.L. and subsidiaries	**2016**
Income from ordinary activities	227,379
Net profit continuing operations	21,503
Profit after tax from non-continuing operations	-
Other global reuslt	-
Total global result	**21,503**

	Thousands of euros	
Year 2015	**Windar Renovables, S.L. and subsidiares.**	**9Ren España, S.L.**
Total non-current assets	59,528	5,875
Total current assets	139,600	27,521
TOTAL ASSETS	**199,128**	**33,396**
Total equity	64,280	22,731
Total non-current liabilities	12,667	1,325
Total current liabilities	122,181	9,340
TOTAL EQUITY AND LIABILITIES	**199,128**	**33,396**

Year 2015	Thousands of euros Windar Renovables, S.L. and subsidiares	 9Ren España, S.L.
Income from ordinary activities	191,277	11,567
Net profit continuing operations	10,337	(618)
Profit after tax from non-continuing operations	-	-
Other global reuslt	-	-
Total global result	**10,337**	**(618)**

No dividends have been received from these companies during 2016.

On June 23, 2015, the investee company 9Ren España, S.L. agreed on the refund of the share premium for an amount of €12,000 thousands. Of this amount, €5,880 thousands corresponded to GAMESA. Additionally, on February 16, 2015, the investee company Windar Renovables, S.L. agreed on the distribution of a dividend being €3,006 thousands the amount corresponding to GAMESA.

The GAMESA Group have proceed to update the impairment test for its stake in Windar Renovables, S.L. at December 31, 2016 after the improvement in the results and in the business expectations produced in this company during 2016, being the main hypothesis used the followings:

- A discount rate based on the weighted average cost of capital – WACC of 9%.
- The projection period of the cash flows has been of 3 years.
- For the cash flows corresponding to subsequent periods a growth rate of 1% in annual terms has been considered.

As a result of this impairment test, in the year 2016 a reversion of the total impairment recorded during the year 2010 amounting €15,000 thousands has been done with a charge to the heading "Result from entities accounted for using the equity method" of the consolidated income statement for the year 2016.

As a result, the book value of the net investment in Windar Renovables, S.L. at December 31, 2016 amounts €63,728 thousands (€41,468 thousands at December 31, 2015), and it includes the capital gain which emerged at the moment of the acquisition of the investment in the associate (€36 million approximately), for the difference between the total of the compensation given and the part of the entity in theoretical book value of the net assets of the associate in the moment of the acquisition.

12. Financial instruments by category

A. COMPOSITION AND BREAKDOWN OF FINANCIAL ASSETS

The breakdown of the GAMESA Group financial assets at December 31, 2016 and 2015, presented by nature and category for measurement purposes:

Year 2016 Financial assets: Nature / Category	Thousands of euros Other financial assets at fair value through changes in P&L	Held-for-sale financial assets (Note 13)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Derivatives (Notes 13 and 22)	-	-	-	-	91	91
Other financial assets (Note 13)	-	25,009	107,917	-	-	132,926
Long- term / non-current	**-**	**25,009**	**107,917**	**-**	**91**	**133,017**
Derivatives (Note 22)	-	-	-	-	12,040	12,040
Other financial assets	-	-	30,521	-	-	30,521
Trade and other receivables	-	-	1,530,549	-	-	1,530,549
Short-term / current	**-**	**-**	**1,561,070**	**-**	**12,040**	**1,573,110**
Total	**-**	**25,009**	**1,668,987**	**-**	**12,131**	**1,706,127**

Year 2015 Financial assets: Nature / Category	Thousands of euros					
	Other financial assets at fair value through changes in P&L	Held-for-sale financial assets (Note 13)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Derivatives (Notes 13 and 22)	-	-	-	-	7,584	7,584
Other financial assets (Note 13)	-	36,423	103,267	-	-	139,690
Long term / non-current	**-**	**36,423**	**103,267**	**-**	**7,584**	**147,274**
Derivatives (Note 22)	-	-	-	-	9,662	9,662
Other financial assets	-	-	24,348	-	-	24,348
Trade receivables and other	-	-	1,112,590	-	-	1,112,590
Short Term / currents	**-**	**-**	**1,136,938**	**-**	**9,662**	**1,146,600**
Total	**-**	**36,423**	**1,240,205**	**-**	**17,246**	**1,293,874**

B. *COMPOSITION AND BREAKDOWN OF FINANCIAL LIABILITIES*

The breakdown of the Group's financial liabilities at December 31, 2016 and 2015, presented by nature and category for measurement purposes:

Year 2016 Financial liabilities: Nature / Category	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Bank borrowings	-	424,523	-	424,523
Derivatives (Note 22)	-	-	7,176	7,176
Other financial liabilities	-	38,187	-	38,187
Long-term / Non-current	**-**	**462,710**	**7,176**	**469,886**
Bank borrowings	-	120,034	-	120,034
Derivatives (Note 22)	-	-	59,903	59,903
Other financial liabilities	-	111,622	-	111,622
Trade and other payables	-	2,812,503	-	2,812,503
Short-term / Current	**-**	**3,044,159**	**59,903**	**3,104,062**
Total	**-**	**3,506,869**	**67,079**	**3,573,948**

Year 2015 Financial liabilities: Nature / Category	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Bank borrowings	-	444,902	-	444,902
Derivatives (Note 22)	-	-	3,869	3,869
Other financial liabilities	-	43,940	-	43,940
Long-term / Non-current	**-**	**488,842**	**3,869**	**492,711**
Bank borrowings	-	102,899	-	102,899
Derivatives (Note 22)	-	-	4,265	4,265
Other financial liabilities	-	89,326	-	89,326
Trade and other payables	-	1,937,622	-	1,937,622
Short-term / Current	**-**	**2,129,847**	**4,265**	**2,134,112**
Total	**-**	**2,618,689**	**8,134**	**2,626,823**

13. Non-current financial assets

The changes in “Non-current financial assets” in the attached consolidated balance sheet of 2016 and 2015 are as follows:

Year 2016	Balance at 12.31.2015	Additions	Exchange differences in foreign currency	Disposals	Transfers	Changes in scope	Balance at 12.31.2016
	Thousands of euros						
Derivatives (Notes 12 and 22)	7,584	-	830	(1,453)	(6,870)	-	91
Securities portfolio (Note 12)	36,423	1,272	(683)	(12,003)	-	-	25,009
Other non-current financial assets (Note 12)	3,384	2,173	106	(637)	600	5	5,631
Other non-current financial assets from related companies (Notes 11 and 12)	99,883	2,403	-	-	-	-	102,286
Total	**147,274**	**5,848**	**253**	**(14,093)**	**(6,270)**	**5**	**133,017**

Year 2015	Balance at 12.31.2014	Additions	Exchange differences in foreign currency	Disposals	Transfers	Changes in scope	Balance at 12.31.2015
	Thousands of euros						
Derivatives (Notes 12 and 22)	1,864	7,361	-	(1,641)	-	-	7,584
Securities portfolio (Note 12)	35,683	-	1,166	(246)	(180)	-	36,423
Other non-current financial assets (Note 12)	3,158	597	27	(547)	183	(34)	3,384
Other non-current financial assets from related companies (Notes 11 and 12)	-	99,883	-	-	-	-	99,883
Total	**40,705**	**107,841**	**1,193**	**(2,434)**	**3**	**(34)**	**147,274**

A. INVESTMENT SECURITIES

The detail of the cost of acquisition of the most representative long-term investment securities at December 31, 2016 and 2015 is as follows:

	Thousands of euros		% of Shareholding 12.31.2016	% of Shareholding 12.31.2015
	12.31.2016	12.31.2015		
Jianping Shiyingzi Wind Power Co. Ltd.	4,437	4,437	25%	25%
Wendeng Zhangjiachan Wind Power Co. Ltd.	7,651	7,651	39%	39%
Neimenggu Huadian Meiguiying Wind Power Co. Ltd.	-	11,870	-	25%
CGN Changgao Wind Power Co. Ltd	4,318	4,318	25%	25%
Cheng Dingshan - Zhaiyueshan	5,564	5,770	25%	25%
Others	3,039	2,377	Several	Several
Total	**25,009**	**36,423**		

In 2016 and prior years the GAMESA Group invested in the share capital of various chinese companies (wind farms), in general holding ownership interests of 25% to 40%. Despite holding ownership interests of more than 20%, GAMESA's directors consider that significant influence does not exist in these companies since there is no power to participate in decisions regarding the financial and operating policies of these companies. In general, GAMESA Group take part in the capital of these companies with the sole objective of favouring the granting of the relevant permits for the development of the plants and the construction and sale of wind turbines for those plants. All agreements regarding the acquisition of shareholdings by the Group include a put option for GAMESA with a price based on an evaluation of the net assets relating to the shareholding to be transferred (theoretical book value), prepared by an expert qualified auditor chosen by mutual agreement among the parties and authorized by the relevant governmental agencies. These investments are stated at their acquisition cost.

With the goal of determining that the recoverable value of these stakes is not lower than book value for which they are recorded, the Group orders the accomplishment of reviews of the results and the property status by an external auditor. These reviews have an annual frequency and no existence of significant impairments have emerged from them in the recoverable value of the aforementioned participations.

During 2016, several dividends were received from these stakes or resulting from their sales for an amount of €1,980 thousands (€3,640 thousands in the year 2015) that have been registered under the heading "Financial Income" of the accompanying income statement of 2016 (Note 29.F).

B. OTHER NON-CURRENT FINANCIAL ASSETS

The detail of "Other non-current financial assets" in the consolidated balance sheets at December 31, 2016 and 2015 of the GAMESA Group is as follows:

	Thousands of euros			
	12.31.2016	12.31.2015	Interest Rate	Maturity
Deposits and guarantees provided long term (Note 29.D)	5,008	3,366	Euribor + margin	2018
Other long-term loans	623	18	Euribor + margin	2018
Total	**5,631**	**3,384**		

Under "Long-term deposits and guarantees given" the Group recognises mainly the guarantees provided to secure compliance with the obligations assumed by the Company, principally under leases (Note 29.D).

14. Inventories

The composition of this heading at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	12.31.2015
Raw and auxiliary materials	515,031	427,260
Work in progress and finished goods	455,005	328,751
Prepayments to suppliers	183,516	142,202
Inventory write-downs	(117,919)	(94,954)
Total	**1,035,633**	**803,259**

The movements in the provision for impairment of inventories of the Group are the following:

	Thousands of euros	
	2016	2015
January 1	94,954	82,299
Changes in the consolidation method	2,844	-
Impairment/(Reversal) during the year (Note 29.E)	22,663	19,476
Provisions used for their intended purpose	(2,542)	(6,821)
At December 31	**117,919**	**94,954**

Movements in the provision for impairment of inventories in 2016 and 2015 correspond mainly to the provision of certain wind promotions and with the provision of certain spare parts.

Provisions currently accounted in this heading at December 31, 2016 and 2015 basically refer to the amount accrued in prior years because of the effect of changes in technologies.

At December 31, 2016 and 2015, there were no inventories provided to secure the payment of debts or in relation to any other obligations to third parties.

15. Trade and other receivables

The detail of "Trade and other receivables" in the consolidated balance sheets at December 31, 2016 and 2015 is as follows:

Thousands of euros	12.31.2016	12.31.2015
Trade and other receivables	803,499	564,494
Construction contract receivables (Notes 3.B and 17)	473,250	451,990
Impairment due to uncollectible receivables	(50,353)	(27,646)
Total	**1,226,396**	**988,838**

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

The heading “Impairment due to uncollectible receivables” includes the accounts receivable in relation to which there are doubts as to their recoverability (Note 3.H). At each reporting date, the GAMESA Group analysis the recoverability of uncollected past-due amounts and potential problems relating to the collection of not matured items.

The carrying value of the receivables and other receivables in foreign currency at December 31, 2016 and 2015 in as follows:

Currency	Equivalent value in thousands of euros	
	12.31.2016	12.31.2015
Moroccan Dirham	954	937
US Dollar	150,296	289,265
Egyptian Pound	11,234	18,976
Chinese Yuan	120,627	136,709
Polish Zloty	971	2,463
Indian Rupee	526,104	295,356
Brazilian Real	106,840	151,969
Mexican Peso	3,308	35,200
Other currencies	9,749	3,906
Total	**930,083**	**934,781**

Movements in the provision for the impairment of the value of the trade and other receivables were as follows:

	Thousands of euros	
	2016	2015
January 1	27,646	23,193
Reversal of unused amounts (Note 29.E)	16,867	1,924
Accounts receivable removed for uncollectible	-	(948)
Transfers	2,291	3,324
Changes in the consolidation method	3,519	-
Exchange differences	30	153
At December 31	**50,353**	**27,646**

16. Cash and other cash equivalents

The breakdown of “Cash and cash equivalents” in the accompanying consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	12.31.2015
Cash in euros	177,770	146,198
Cash in foreign currency (Note 3.L)	556,128	355,040
Liquid assets in less than three months	561,370	368,095
Total	**1,295,268**	**869,333**

“Cash and cash equivalents” includes mainly the Group's cash and short-term bank deposits with an initial maturity of three months or less. Cash and cash equivalents accrue market interest rates. There are no restrictions on the use of these balances.

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

The amount of revenue (revenue recognition resulting from sale stage of completion) on the firm WTGS and wind farm sales contracts which at December 31, met the requirements indicated in Note 3.B for the application of the percentage of stage of completion method in 2016 and 2015 amounted an increase of €593,834 thousands and a decrease of €188,169 thousands, respectively, and are recognised under the heading “Revenue” in the consolidated income statements of 2016 and 2015. For contracts in progress at December 31, 2016, the accumulated amounts of costs incurred and revenues recognised until that date amounted €2,261,638 thousands (€1,700,415 thousands for the contracts in progress at December 31, 2015).

	Thousands of euros	
	2016	**2015**
Accumulated amount of the costs incurred and revenue recognised for the contracts in progress at January 1	**1,700,415**	**1,775,149**
Variation of the sales by stage of completion	593,834	(188,169)
Exchange differences and others	(32,611)	113,435
Accumulated amount of the costs incurred and revenue recognised for the contracts in progress at December 31	**2,261,638**	**1,700,415**

Accounts receivable from contractual customers for sales recognised by the stage of completion included under “Trade and other receivables”, net of the certifications made at December 31, 2016, amounted €473,250 thousands (€451,990 thousands at December 31, 2015) (Note 15). No contractual customers’ receivables, net of certifications made, are recorded in discontinued operations (Note 36) due to sales recognised by the stage of completion at December 31, 2015 and 2016.

Accounts receivable from contract customers for sales recognised by reference to the stage of completion included under “Trade receivables from related companies”, net of the certification made (Note 32) at December 31, 2016, amounted to €36,416 thousands (€31,670 thousands at December 31, 2015).

At the ending of 2016 and 2015 there are no significant amounts of withholdings in the payments, understanding these as the amounts coming from the certifications made to the customers, which are not recovered until de fulfilment of the specific conditions in the contract for its receipt.

Prepayments received from the customers at December 31, 2016 amounted €669,961 thousands, approximately, (€522,437 thousands, approximately, 2015 yeared), and were recorded under the headings “Trade and other payables” (€509,123 thousands in 2016 and €449,511 thousands in 2015) and “Trade payables to related companies” (€160,838 thousands in 2016 and €72,926 thousands in 2015) of the liabilities side of the consolidated balance sheet. These prepayments mainly correspond to the amounts received from the customers before the beginning of the contracted works – thus they are not related with contracts in progress – like the prepayments collected in the moment of the signature of the contracts.

Finally, the quantity owed to the customers due to certificated amounts for which the work has not yet finalised at December 31, 2016 reaches to €315,882 thousands (€26,323 million at the ending of 2015), and it is recorded in the liabilities side of the consolidated balance sheet under the headings “Trade and other payables” (€185,589 thousands in 2016 and €7,325 thousands in 2015) and “Trade payables to related companies” (€130,293 thousands in 2016 and €18,998 thousands in 2015)

18. Equity of the Parent Company

A. SHARE CAPITAL

The Share capital of Gamesa Corporación Tecnológica, S.A. at December 31, 2016 and 2015 amounts to €47,476 thousands being composed of 279,268,787 ordinary shares of €0.17 of nominal value each, represented by means of annotations into account, fully subscribed and disbursed.

According to information of the company, the shareholder structure of GAMESA at December 31, 2016 and 2015 was as follows:

	% Shareholding 12.31.2016	% Shareholding 12.31.2015
Iberdrola, S.A.	19.69%	19.69%
Norges Bank	3.21%	-
Blackrock Inc. (**)	-	3.17%
Fidelity International Limited (***)	1.06%	1.10%
OZ Master Fund Ltd (****)	2.04%	-
Otros (*)	74.00%	76.04%
Total	**100%**	**100%**

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

(**) According to the records of the National Securities Market Commission the company Blackrock Inc. held at December 31, 2015 part of their stake (0.166%) in the capital of GAMESA Technological Corporation, S.A. in voting rights linked to the settlement of financial instruments.

(***) Significant shareholder under article 32 of the Royal Decree 1362/2007 of October 19, on shareholders required to notify their stake due to his residence in a tax heaven or in a country or land of zero taxation or with no effective exchange of tax information.

(****) Significant shareholder based entirely on voting rights linked to the exercise of financial instruments. Significant shareholder under article 32 of the Royal Decree 1362/2007 of October 19, on shareholders required to notify their stake due to his residence in a tax heaven or in a country or land of zero taxation or with no effective exchange of tax information.

GAMESA's shares have been listed through the Automated Quotation System (Mercado Continuo) since October 31, 2000 and included in the IBEX 35 index. GAMESA's shares are listed on the Bilbao, Madrid, Barcelona and Valencia and Stock Exchanges.

The main objectives of the GAMESA Group's share capital management are to ensure short and long-term financial stability, the positive market performance of the shares of GAMESA, the adequate financing of its investments and maintaining levels of external financing in line with the evolution of business, all of them ensuring that the GAMESA Group maintains its financial strengthens and the soundness of its financial ratios on which the foundations of its business are based and maximise shareholder value.

At December 31, 2016, the GAMESA Group was within the parameters set by management for the purpose of managing this risk, as the ratio of debt (net of cash) to equity attributable to the Parent company was -37,59% (-19.24% in December 31, 2015).

The ratios of debt (net of cash) to equity attributable to the Parent company that are reflected throughout this note are as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Non-current liabilities		
Bank borrowings and other non-current liabilities (Notes 21 and 24)	448,920	475,689
Current liabilities		
Bank borrowings and other current liabilities (Notes 21 and 24)	127,987	108,960
Total bank borrowings	**576,907**	**584,649**
Total derivative financial instruments (Note 22)	**54,948**	**(9,112)**
Cash and other cash equivalents (Note 16)	**(1,295,268)**	**(869,333)**
Bank borrowings net of cash	**(663,413)**	**(293,796)**
Total Equity of the Parent Company	**1,724,682**	**1,526,908**
Proportion of debt (net of cash) and equity attributable to the Parent company	**(37.59%)**	**(19.24%)**

B. SHARE PREMIUM

The Spanish Companies Act expressly allows the use of the share premium account to increase share capital and it does not stablish any specific restrictions with respect to the availability of this balance.

C. UNREALISED ASSET AND LIABILITY REVALUATION RESERVE

The changes in this reserve in 2016 and 2015 were as follows:

	Thousands of euros						
	12.31.2015	Change in fair value	Taken to profit and loss	12.31.2015	Change in fair value	Taken to profit and loss (Note 22)	12.31.2016
Cash-flow hedges							
Interest rate swaps (Note 22)	(658)	(2,139)	672	(2,125)	(2,104)	1,385	(2,844)
Securities of electricity prices (Note 22)	-	9	-	9	100	(207)	(98)
Currency forwards (Note 22)	3,300	11,389	(1,188)	13,501	(39,409)	(9,616)	(35,524)
	2,642	**9,259**	**(516)**	**11,385**	**(41,413)**	**(8,438)**	**(38,446)**
Deferred taxes due to the remeasurement of unrealised assets and liabilities (Note 25)	**(880)**	**(3,000)**	**170**	**(3,710)**	**14,321**	**2,156**	**12,767**
Total	**1,762**	**6,259**	**(346)**	**7,675**	**(27,092)**	**(6,282)**	**(25,699)**

D. OTHER RESERVES

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

	Thousands of euros	
	12.31.2016	12.31.2015
Restricted reserves	**56,392**	**55,739**
Legal reserve	9,494	9,494
Reserve for redenomination of capital in euros	1	1
Reserve for treasury shares	46,897	46,244
Voluntary reserves	**408,233**	**380,156**
Reserves attributable to the consolidated companies	**634,333**	**541,026**
Reserves for companies consolidated using the equity method (Note 11)	(75,214)	(56,218)
Reserves of fully consolidated companies	709,547	597,244
Total reserves	**1,098,958**	**976,921**

Legal reserve

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

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other reserves are not available for this purpose. At the end of 2016 the legal reserve is fully constituted.

E. TREASURY SHARES

The detail of the total number of treasury shares as well as the ones of the heading “Equity - Of the parent - treasury shares”, as a result of the transactions performed in 2016 and 2015, is as follows:

	Number of Shares	Thousands of euros
Balance at January 1, 2015	**3,154,218**	**(24,873)**
Acquisitions	32,771,429	(421,014)
Disposals	(32,808,945)	399,643
Balance at December 31, 2015	**3,116,702**	**(46,244)**
Acquisitions	21,931,051	(397,188)
Disposals	(21,981,493)	385,404
Disbursements of incentive plan net of tax effect	(700,995)	11,131
Balance at December 31, 2016	**2,365,265**	**(46,897)**

The nominal value of the treasury shares acquired directly or indirectly by GAMESA, together with those already held by GAMESA and its subsidiaries does not exceed 10% of share capital in 2016 or 2015.

On October 30, 2012 Gamesa Corporación Tecnológica, S,A, concluded a liquidity agreement with Santander Investment Bolsa, which was reported to the National Securities Market Comission on a Relevant Event of October 31, 2012. Within the framework of the aforementioned contract, in 2016 GAMESA acquired 21,931,051 treasury shares at an average price of 18.11 euros and sold 21,981,493 treasury shares at an average price of 17.53 euros. The difference between the cost price and the selling price amounting €616 thousands was recorded in "Voluntary reserves".

During the year 2015, Gamesa acquired 32,771,429 shares at an average price of 12.85 euros and sold 32,808,945 shares at an average price of 12.18 euros. The difference between the cost price and the selling price, amounting to €120 thousands, was recorded in "Voluntary Reserves".

2013-2015 Incentive Plan

On April 19, 2013, the Shareholders General Meeting approved a programme to provide share-based payments for the attainment of the objectives of the Company's Business Plan 2013-2015. The Plan consists of an extraordinary, multi-year and mixed incentive payable in cash and in Company shares that may give rise, (i) after the application of certain ratios based on the degree to which strategic targets are met, to the payment of a cash bonus and (ii) based on the initial number of assigned shares ("theoretical shares"), to the effective delivery of shares in GAMESA at the planned payment date, As regards the portion payable in shares, no minimum value of the assigned shares is guaranteed.

The Plan cannot exceed a total of 3,000,000 shares, at maximum, and all of the shares to be delivered through the execution of the Plan will originate from the Company's own portfolio. Regarding the cash bonus, the Plan includes an estimate of the payment of cash bonuses amounting a maximum of €18 million in the event that 100% of the targets are met. This plan is aimed at individuals who, due to their level of responsibility or their position at GAMESA, contribute decisively to the achievement of the Company's objectives. The Plan has 74 beneficiaries (75 beneficiaries in 2015), notwithstanding the possibility that new hires or, due to transfers or changes in professional levels, others will become new beneficiaries during the period taken into consideration, with respect to the maximum authorized share limit.

In accordance with IFRS the company must recognize services when they are received. GAMESA recorded the rendering of services to the beneficiaries relating to the incentive payable in shares as personnel expenses on an accruals basis, apportioning the estimate of the fair value of the equity instruments assigned over the term of the plan (between January 1, 2013 and December 31, 2015), plus a two year residence time for its full payment, which involved a credit amounting €153 thousands under "Personnel expenses" in the accompanying consolidated income statement for the year 2016, charged to "Other reserves" under equity in the consolidated balance sheet at December 31, 2016. (€1,639 thousands in the six-month period ended December 31, 2015).

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

- The risk-free rate is 3%.
- To determine the volatility of the shares and the dividends distributed per share, the average value was calculated for the last 3 months of 2012.
- The dividends accrued during the period of the plan are not paid.

In addition and with respect to the cash incentive, GAMESA has recognised the rendering of services relating to this incentive as a personnel expense on an accruals basis, crediting €2,270 thousands (€4,850 thousands in 2015) to the heading "Other non-current liabilities" and “Other current liabilities” under non-current liabilities in the accompanying consolidated balance sheet at December 31, 2016.

Once the measurement period is concluded, the Board of Directors agreed that the stage of completion of this Plan was mostly 100%, being the amount to be paid €17,857 thousands and the delivery of 2,333 thousands of shares. Finally, 74 people are the beneficiaries of the plan, being delivered the 50% of such amounts in March 2016.

19. Minority shareholdings

The detail of “Equity - Of non-controlling interests” on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Thousands of euros
Balance at December 31, 2014	**93**
Profit for the year	(342)
Changes in the consolidation scope (Note 2.G)	**-**
Other movements	545
Balance at December 31, 2015	**296**
Profit for the year	1,118
Changes in the consolidation scope (Note 2.G)	-
Other movements	(1,094)
Balance at December 31, 2016	**320**

The minority shareholdings over the assets, liabilities, income and cash flows of the Consolidated Financial Statements of the GAMESA Group are not relevant at December 31, 2016 and 2015.

20. Differences on exchange

The GAMESA Group decided in previous years to capitalise monetary balances with foreign subsidiaries in order to maintain the financing necessary to grow those business within the framework of the approved business plans, or re-establish their financial position, if necessary. As a result of this decision, the Group classified these balances, up to their capitalization, as permanent net foreign investments and therefore the differences on exchange generated by these balances between the decision date and the formal debt capitalisation date, or December 31, 2016 if formal capitalisation had not been completed, have been recognised by charging or crediting, as appropriate, the heading “Exchange differences” under consolidated equity (Note 3.L), being its amount at December 31, 2016 €1,104 thousands (positive) all of them corresponding to indian rupees of which €10,340 thousands correspond to Brazilian reales and €1,809 thousands to indian rupees (€12,149 thousands at December 31, 2015, negative, of which €10,340 thousands correspond to Brazilian reales and €1,809 thousands to indian rupees

21. Borrowings

Bank borrowings in the accompanying consolidated balance sheet at December 31, 2016 and 2015 as well as the maturity dates, are as follows:

		Debts at December 31, 2016 maturing at						
	Carrying Value	**Short Term**			**Non-current**			
	Balance at 12.31.2016	**2017**	2018	2019	2020	2021	2022 and subsequent	**Total Non-current**
Accrued interest not paid	702	702	-	-	-	-	-	-
Loans	502,876	85,653	149,165	268,058	-	-	-	417,223
Payables for loan draw downs	9	9	-	-	-	-	-	-
Payables for discounted bills	112	112	-	-	-	-	-	-
Loans in euros	**503,699**	**86,476**	**149,165**	**268,058**	**-**	**-**	**-**	**417,223**
US Dollar	281	281	-	-	-	-	-	-
Indian Rupee	33,481	30,481	2,012	988	-	-	-	3,000
Brazilian Real	2,438	2,438	-	-	-	-	-	-

	Carrying Value	Short Term	Debts at December 31, 2016 maturing at					
			Non-current					
	Balance at 12.31.2016	**2017**	2018	2019	2020	2021	2022 and subsequent	**Total Non-current**
Others	4,658	358	378	400	423	447	2,652	4,300
Loans and credits facilities denominated in foreign currency (Note 3.L)	**40,858**	**33,558**	**2,390**	**1,388**	**423**	**447**	**2,652**	**7,300**
Total	**544,557**	**120,034**	**151,555**	**269,446**	**423**	**447**	**2,652**	**424,523**

	Carrying Value	Short Term	Debts at December 31, 2015 maturing at					
			Non-current					
	Balance at 12.31.2015	**2016**	2017	2018	2019	2020	2021 and subsequent	**Total Non-current**
Accrued interest not paid	1,085	1,085	-	-	-	-	-	-
Loans	479,853	41,087	19,113	150,802	268,851	-	-	438,766
Payables for loan draw downs	294	294	-	-	-	-	-	-
Payables for discounted bills	925	925	-	-	-	-	-	-
Loans in euros	**482,157**	**43,391**	**19,113**	**150,802**	**268,851**	**-**	**-**	**438,766**
US Dollar	31,940	31,940	-	-	-	-	-	-
Indian Rupee	6,942	6,942	-	-	-	-	-	-
Chinese Yuan	16,045	16,045	-	-	-	-	-	-
Brazilian Real	5,523	4,230	1,293	-	-	-	-	1,293
Others	5,194	351	362	383	404	428	3,266	4,843
Loans and credits facilities denominated in foreign currency (Note 3.L)	**65,644**	**59,508**	**1,655**	**383**	**404**	**428**	**3,266**	**6,136**
Total	**547,801**	**102,899**	**20,768**	**151,185**	**269,255**	**428**	**3,266**	**444,902**

The book value of the financial liabilities coincides with the fair value because the long-term debt is issued almost entirely at a variable rate and corresponds to the loans obtained in recent years, with very similar conditions to the ones obtained in the market currently.

On December 19, 2008, Gamesa Eólica, S.L. Unipersonal entered into a financing agreement with the European Investment Bank for a maximum of €200 million, divided into two parts, €140 million and €60 million, respectively. The terms of this credit set maturity in 2018 and 2019 and an interest rate indexed to Euribor plus a market spread. These credits were fully disposed at December 31, 2014. On March 31, 2015, Gamesa Eólica, S.L. Unipersonal partially and in advance amortised €40 million of this loan, so being the rest of the loan disposed at December 31, 2016 andd 2015 amounting €160 million.

At November 29, 2012, Gamesa Eólica, S.L. Unipersonal obtained a €260,000 thousands loan from the European Investment Bank to finance innovation, research and development projects relating to the processes of improving existing wind turbines, and the development of new products. The conditions of this loan establish its maturity date in 2019 and it accrues an interest rate referenced to the euribor rate plus a market spread. This loan is fully disposed at December 31, 2016 and 2015.

At June 3, 2014, GAMESA signed a novation of a syndicated credit line contract ("revolving") amounting €350 million maturing in June 2018. The terms of the credit line establish an interest rate indexed to Euribor plus a market spread. At December 11, 2014, GAMESA signed a novation of this syndicated credit line, increasing the limit to €750 million maturing in December 2019, from which no amount was disposed at December 31, 2014. Additionally, on December 17, 2015, GAMESA signed a new novation of that credit line, maintaining the limit amount on €750 million and extending its maturity to 2022. At December 31, 2016 and 2015 GAMESA did not disposed any amount.

At December 31, 2016, the GAMESA Group companies had been granted loans and undrawn credit facilities that accounted for 67.12% (66.42% at December 31, 2015) of the total financing granted to it, which mature between 2016 and 2026 and which bear weighted average interest at Euribor plus a market spread. The loans outstanding at December 31, 2016 and 2015 bore annual weighted average interest at approximately 2.13% and 2.56%, respectively, at that date.

At December 31, 2016 the companies of the Consolidated Group had disposed loan agreements amounting €425 million (€460 million in 2015), with certain obligations, as the compliance with financial ratios throughout the life of the agreement relating the capacity to generate resources in the operations with the debt level and financial duties. Also, there are established certain limits on the arrangement of additional borrowings and the distribution of dividends, as well as other additional conditions. Not meeting these contractual conditions would enable the banks to demand early repayment of the related amounts. At December 31, 2016, the established financial ratios are met and the Group estimates that will be also met in the future.

At December 31, 2016 and 2015, the GAMESA Group did not have any bank borrowings tied to fixed interest rates, except for the hedges described in Note 22.

The fair value, taking into consideration the counterparty credit risk, of bank borrowings at December 31, 2016 and 2015 is similar to the carrying value since the debt is subject to variable interest rates and accrued market spreads (Note 3.H).

The sensitivity of the market value of bank borrowings based on the position to interest rate changes at December 31, 2016 and 2015 is as follows:

	Thousands of euros			
	Interest rate change			
	2016		2015	
	+0.25%	-0.25%	+0.25%	-0.25%
Change in the value of the debt	992	(992)	1,560	(1,560)

The sensitivity of the market value of foreign currency bank borrowings based on the position to exchange rate and interest rate changes at December 31, 2016 and 2015 is as follows:

	Thousands of euros							
	2016				2015			
	Change in the interest rate		Change in Exchange rate (EUR/foreign currency)		Change in the interest rate		Change in Exchange rate (EUR/foreign currency)	
Change in the value of the debt	**+0.25%**	**-0.25%**	**+5%**	**-5%**	**+0.25%**	**-0.25%**	**+5%**	**-5%**
US Dollar	1	(1)	-	-	18	(18)	1,521	(1,681)
Chinese Yuan	-	-	-	-	1	(1)	76 4	(844)
Brazilian Real	13	(13)	116	(128)	28	(28)	263	(291)
Swedish Krona	3	(3)	222	(245)	4	(4)	247	(273)
Indian Rupee	68	(68)	1,594	(1,762)	36	(36)	331	(365)

The GAMESA Group hedges part of the risk associated with the volatility of cash flows relating to the interest payments on borrowings tied to floating interest rates through derivative financial instruments (Notes 4.C and 22).

22. Derivative financial instruments

The GAMESA Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly foreign currency and interest rate risk. The detail of the balances that represent the revaluation of derivatives in the consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros 12.31.2016			
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
INTEREST RATE HEDGES				
Cash-flow hedges				
Interest rate swaps	-	-	91	3,114
ELECTRIC PRICES HEDGES				
Cash-flow hedges	-	47	-	52
FOREIGN CURRENCY HEDGES				
Cash/flow hedges	56	29,721	-	4,010
Exchange insurance	1,734	13,050	-	-
OTHER DERIVATIVES (*)				
Other derivatives	10,250	17,085	-	-
Total	**12,040**	**59,903**	**91**	**7,176**

(*) Refers to the put and the call options granted and received for the purchase of Adwen described in Note 38.

	Thousands of euros 12.31.2015			
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
INTEREST RATE HEDGES				
Cash-flow hedges				
Interest rate swaps	-	60	223	2,247
ELECTRIC PRICES HEDGES				
Cash-flow hedges	-	-	9	-
FOREIGN CURRENCY HEDGES				
Cash-flow hedges				
Exchange insurance	9,362	1,608	7,352	1,622
Fair value hedge				
Exchange insurance	300	2,597	-	-
Total	**9,662**	**4,265**	**7,584**	**3,869**

In 2016, to offset the effect on the consolidated income statement of hedging transactions, the GAMESA Group recognised an expense of €1,385 thousands (€672 thousands in 2015) under “Finance costs” in the consolidated income statement of 2016 (Note 29.G), and in the heading “Exchange differences” of the consolidated income statement for the 2016 an income of €9,616 thousands (€1,188 thousands in 2015), accounted under the heading “Equity - Of the parent - unrealised asset and liability revaluation reserve” (Note 18.C), under which they had previously been classified.

The GAMESA Group uses derivatives as foreign currency hedges to mitigate the possible volatility effect of exchange rate fluctuations on future cash flows from transactions and loans in currencies other than the functional currency of the company concerned. In addition, GAMESA Group designates hedges for the exchange rate risk deriving from certain intragroup monetary transactions carried out by companies with different functional currencies. These hedging transactions mature mainly in 2017. At December 31, 2016 and 2015 the total nominal value covered by exchange rate hedges is as follows:

Currency	Thousands of euros 12.31.2016	12.31.2015
US Dollar	216,161	40,636
Chinese Yuan	137,989	95,658
Brazilian Real	36,715	53,124
Indian Rupee	86,538	46,049
Mexican Peso	19,483	8,942
Others	13,574	-

Also, the GAMESA Group arranges interest rate hedges in order to mitigate the effect of interest rate fluctuations on future cash flows from loans tied to variable interest rates. At December 31, 2016 and

2015, the nominal value of the liabilities hedged by interest rate hedges amounted to €218,455 thousands and €220,777 thousands, respectively.

The main features of the interest rate hedges are as follows:

	Estimated period of cash-flows	
Year 2016	**2017**	**2018 and subsequent**
Interest rates	2,234	216,212

	Estimated period of cash-flows	
Year 2015	**2016**	**2017 and subsequent**
Interest rates	2,234	218,543

No significant ineffectiveness has been detected in the hedges designated by GAMESA Group in 2016 and 2015.

A. CREDIT RISK

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

	2016		2015	
	Thousands of euros	**%**	**Thousands of euros**	**%**
By Geographical area				
Spain	205	1.69%	2,398	13.90%
Other European Union countries	11,130	91.75%	-	-
Rest of the world	796	6.56%	14,848	86.10%
Total	**12,131**	**100%**	**17,246**	**100%**
By Counterparty				
Credit institutions	1,881	15,51%	17,246	100%
Other institutions (Notes 3.H and 38)	10,250	84.49%	-	-
Total	**12,131**	**100%**	**17,246**	**100%**

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

	2016		2015	
	Thousands of euros	**%**	**Thousands of euros**	**%**
Risks rated A or A-	12,004	98.95%	7,955	46.13%
Risks rated BBB+	72	0.59%	649	3.76%
Risks rated BBB	4	0.04%	1,346	7.80%
Risks rated BBB- or less	51	0.42%	7,296	42.31%
Total	**12,131**	**100%**	**17,246**	**100%**

B. MARKET RISK

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

	Percentage change in interest rate			
	2016		**2015**	
Thousands of euros	**+5%**	**-5%**	**+5%**	**+5%**
Change in the value of the hedge	(8)	8	(6)	(6)

Thousands of euros	Percentage change in exchange rates			
	2016		2015	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	(2,152)	2,152	(560)	560

23. Provisions for liabilities and charges

The breakdown of "Provisions for contingencies and charges" on the liabilities of the accompanying consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

Thousands of euros	Provisions for litigation, termination benefits, taxes and similar	Provisions for guarantees	Provisions for contracts reflecting losses
Balance at January 1, 2015	**19,422**	**215,618**	**235,040**
Period provisions charged to income statement (Note 29.E)	7,155	104,750	111,905
Provisions used for their intended purpose	(7,457)	(80,778)	(88,235)
Differences on exchange in foreign currency	(50)	(1,748)	(1,798)
Balance at December 31, 2015	**19,070**	**237,842**	**256,912**
Period provisions charged to income statement (Note 29.E)	1,327	116,190	117,517
Provisions used for their intended purpose	(4,669)	(112,657)	(117,326)
Transfers	-	(2,667)	(2,667)
Differences on exchange in foreign currency	921	3,572	4,493
Balance at December 31, 2016	**16,649**	**242,280**	**258,929**

The information regarding the information for the Group's provisions is divided into 2 large groups:

A. LITIGATION, TERMINATION BENEFITS, TAXES AND SIMILAR

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

B. PROVISIONS FOR GUARANTEES

The provision for guarantees are related basically to the possible repair and start-up expenses which should be covered by the Group during the guarantee period established in each WTGS sale agreement (generally two years) and those specific provisions derived from operative errors.

The provision for guarantees additionally includes the balances of non-recurring provisions recorded that derived from various factors, including customer complaints in the exclusive area of operational activity of the Group, mainly to cover the cost of replacement or repair costs in the terms for completion agreed upon with the client.

In the calculation of this provision, the financial actualization has not been considered nor the increase of the future costs increase, considering that both effects would be compensated and its effect would not be significant.

24. Other non-current liabilities

The breakdown of "Other non-current liabilities" in the accompanying consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Prepayments refundable	24,397	30,787
Other non-current liabilities	13,790	13,153
Total	**38,187**	**43,940**

"Prepayments refundable" includes basically interest-free advances provided to the Group companies Gamesa Innovation and Technology, S.L.U, Gamesa Energy Transmission, S.A.U and Gamesa Electric, S.A.U by the Ministry of Science and Technology and other public agencies to finance R&D projects, which are repayable over 7 or 10 years, following a three-year grace period. The portion of these advances maturing in the short term is recognised under "Other current liabilities" in the consolidated balance sheet. These amounts mature as follows:

		Prepayments refundable at December 31, 2016 maturing at						
		Short Term	Non-current					
	Balance at 12.31.2016	**2017**	2018	2019	2020	2021	2022 onwards	**Total Long Term**
Prepayments refundable	**32,350**	**7,953**	3,468	4,492	4,307	4,028	8,102	**24,397**

		Prepayments refundable at December 31, 2015 maturing at						
		Short Term	Non-current					
	Balance at 12.31.2015	**2016**	2017	2018	2019	2020	2021 onwards	**Total Long Term**
Prepayments refundable	**36,848**	**6,061**	5,230	4,554	4,654	4,396	11,953	**30,787**

The financial liability corresponding to these prepayments refundable is recognised at its present value, which basically coincides with its fair value, and the difference up to its repayment value calculated at a rate of 3% is recognised as an implicit aid to be recognised as income on a systematic basis, over the periods required to offset it with the related costs (Note 3.H).

25. Deferred taxes

The breakdown of "Deferred tax assets" and "Deferred tax liabilities" in the accompanying consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

Thousands of euros	12.31.2015	Allocation and/or credit (charge) to income (Note 27)	Credit (charge) to asset and liability revaluation reserve	Differences on exchange	Disposals/ Excluded from consolidation	12.31.2016
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 22)	2,028	4,733	5,313	736	-	12,810
Tax loss carryforwards	171,694	(1,877)	-	1,729	-	171,546
Unused tax credits recognised	103,562	(22,835)	-	-	-	80,727
Temporary differences	144,504	19,126	-	6,654	-	170,284
Total	**421,788**	**(853)**	**5,313**	**9,119**	**-**	**435,367**
Deferred tax liabilities:						
Deductible Goodwill	(40,101)	(6,402)	-	-	-	(46,503)
Revaluation of derivative financial instruments (Note 22)	(5,738)	(2,577)	9,008	(736)	-	(43)
Temporary differences	(69,809)	5,537	-	(2,069)	-	(66,341)
Total	**(115,648)**	**(3,442)**	**9,008**	**(2,805)**	**-**	**(112,887)**

Thousands of euros	12.31.2015	Allocation and/or credit (charge) to income (Note 27)	Credit (charge) to asset and liability revaluation reserve	Differences on exchange	Disposals/ Excluded from consolidation	12.31.2015
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 22)	220	-	1,842	(34)	-	2,028
Tax loss carryforwards	149,717	20,529	-	1,448	-	171,694
Unused tax credits recognised	141,022	(37,460)	-	-	-	103,562
Temporary differences	114,330	32,671	-	(2,113)	(384)	144,504
Total	**405,289**	**15,740**	**1,842**	**(699)**	**(384)**	**421,788**
Deferred tax liabilities:						
Deductible goodwill	(39,201)	(900)	-	-	-	(40,101)
Revaluation of derivative financial instruments (Note 22)	(1,100)	-	(5,648)	1,010	-	(5,738)
Temporary differences	(43,104)	(27,083)	-	327	51	(69,809)
Total	**(83,405)**	**(27,983)**	**(5,648)**	**1,337**	**51**	**(115,648)**

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

The breakdown of temporary asset differences for items at December 31, 2016 and 2015 are the following:

	Thousands of euros	
	12.31.2016	12.31.2015
Provisions for liabilities and charges and other provisions	85,605	68,044
Impairment of property, plant and equipment	30,627	28,962
Finance cost	1,088	3,291
Other temporary differences	52,964	44,207
Total	**170,284**	**144,504**

The breakdown of temporary liabilities differences for items at December 31, 2016 and 2015 are the following:

	Thousands of euros	
	12.31.2016	12.31.2015
Differences between accounting and fiscal depreciation	(41,641)	(35,241)
Other temporaty differences	(24,700)	(34,568)
Total	**(66,341)**	**(69,809)**

26. Public administrations

The Parent Company has its tax registered office for tax purposes in Bizkaia, and the tax legislation applicable to 2016 and 2015 is that in force in the Historic Territory of Bizkaia.

The detail of "Current assets – Tax receivables" and "Other payables – Tax payables" on the asset and liability sides, respectively, of the consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	12.31.2015
Tax receivables		
VAT refundables	147,791	121,044
Tax withholdings and interim payments made	86,442	28,065
VAT refunds receivable and other	61,634	58,097
Grants receivable	5,570	5,877
Total	**301,437**	**213,083**

	Thousands of euros	
	12.31.2016	12.31.2015
Tax payables		
VAT payables	62,672	52,278
Withholdings payable	20,812	7,718
Corporate income tax payable	82,479	33,024
Other taxes payable	701	2,012
Social security	7,159	5,241
Total	**173,823**	**100,273**

The Parent company is subject to Bizkaia tax legislation and together with its subsidiaries that meet the requirements established in the applicable legislation, based on the special consolidated VAT regime provided for in Chapter IX of Foral regulatory 7/1994 (November 9) of the historical territory of Bizkaia which regulates this tax, at its basic level, being GAMESA the Parent company of this Tax Group and its subsidiaries are as follows:

Gamesa Corporación Tecnológica, S.A. (Sociedad dominante)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Gamesa Europa, S.L.U.	Sistemas Energéticos Fonseca, S.A.U.
Gamesa Energía, S.A.U.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Gamesa Inversiones Energéticas Renovables, S.A.	Sistemas Energéticos Balazote, S.A.U.
International Windfarm Development II, S.L.	Sistemas Energéticos Sierra del Carazo, S.L.U.
Sistemas Energéticos Tablero Tabordo, S.L.	Sistemas Energéticos Monte Genaro, S.L.U.
Sistemas Energéticos Tarifa, S.A.U.	Sistemas Energéticos Argañoso, S.A.U.
International Windfarm Development IX, S.L	Sistemas Energéticos Carril, S.A.U.
Sistemas Energéticos Jaralón, S.A.U.	Sistemas Energéticos Lomas del Reposo, S.A.U.

27. Income tax expense/(income)

Since 2002 GAMESA and the following subsidiaries subject to Basque Country income tax legislation have filed their income tax returns under the Special Consolidated Tax Regime.

Gamesa Corporación Tecnológica, S.A. (Sociedad dominante)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Gamesa Europa, S.L.U.	Sistemas Energéticos Fonseca, S.A.U.
Gamesa Energía, S.A.U.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Gamesa Venture Capital, S.A.	Sistemas Energéticos Balazote, S.A.U.
Gamesa Inversiones Energéticas Renovables, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
International Windfarm Development II, S.L.	Sistemas Energéticos Monte Genaro, S.L.U.

Sistemas Energéticos Tablero Tabordo, S.L.	Sistemas Energéticos Argañoso, S.A.U.
Sistemas Energéticos Tarifa, S.A.U.	Sistemas Energéticos Carril, S.A.U.
International Windfarm Development IV, S.L.	Sistemas Energéticos Jaralón, S.A.U.
International Windfarm Development V, S.L.	Sistemas Energéticos Lomas del Reposo, S.A.U.
International Windfarm Development VII, S.L.	International Windfarm Development VI, S.L.
Gamesa Financiación, S.A.	International Windfarm Development IX, S.L.
Parque Eólico Dos Picos, S.L.	

Since 2010 the subsidiaries Gamesa Eólica, S.L.Unipersonal, Gamesa Innovation and Technology, S.L.Unipersonal and Estructuras Metálicas Singulares, S.A.Unipersonal resolved to be taxed under the Navarre consolidated tax regime, being Gamesa Eólica, S.L.Unipersonal the Parent company of this Tax Group. Additionally, Gamesa Latam, S.L. Unipersonal, Gamesa APAC, S.L. Unipersonal y Sistemas Energéticos El Valle, S.L. were incorporated to this special consolidated tax regime during 2016.

Since 2005 Gamesa Technology Corporation, Inc and its subsidiaries have filed Consolidated Federal Income Tax returns in the US, being Gamesa Technology Corporation, Inc. the Parent company of this Tax Group.

The other consolidated companies file individual tax returns.

The difference between the tax charge allocated to each year and the tax payable for that year, recognised in “Deferred tax assets” and “Deferred tax liabilities” on the asset and liability sides, respectively, of the consolidated balance sheets at December 31, 2016 and 2015, arose as a result of the following noteworthy circumstances:

- The different accounting and tax methods for recognising certain provisions.
- Temporary differences deriving from the limit of deducting financial expenses for tax purposes.

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

	Thousands of euros	
	2016	**2015**
Current taxes	120,120	64,310
Deferred taxes (Note 25)	4,295	12,243
Income tax expense/(income)	**124,415**	**76,553**

The income tax expense (income) for 2016 and 2015 was determined as follows:

	Thousands of euros	
	2016	**2015**
Consolidated result before income tax	**435,551**	**253,599**
Permanent differences:		
- Exemption of gains from the sale of wind farms	(11,849)	(669)
- Assignment of intangible assets	(99,733)	(72,460)
- Profits from companies consolidated using the equity method (Note 11)	18,996	24,988
- Impairment reversal on the Windar shareholding (Note 11)	(15,000)	-
- Dividends and other permanent differences	6,390	39,613
Adjusted book result	**334,355**	**245,071**
Gross tax at current rate in each country (*)	104,351	76,625
Deductions due to tax incentives and others generated during the year	(10,655)	(6,529)
Temporary differences relating to unrecoverable assets and other adjustments	30,719	6,457
Expense/(revenue) accrued on corporate income tax	**124,415**	**76,553**

(*) The fully consolidated foreign subsidiaries calculate the corporate income tax expense and the tax charges for the various taxes applicable to them according to the legislation, and at the tax rates in force in their respective countries. When calculating the gross tax the effect of tax-loss carryforwards for the year from those subsidiaries have not been taken into account since there are doubts that they may be realised.

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

Under current legislation, tax losses could be offset for tax purposes against the taxable profits that will foreseeably arise in future periods according to the applicable legislation of each period. In this sense, the companies of the GAMESA Group have €171,546 thousands in tax-loss carryforwards available to offset in future years (€171,694 thousands in December 31, 2015). Additionally there are still registered unused tax credits amounting €80,727 thousands (€103,562 thousands in December 31, 2015) (Note 25).

Specifically, the recovery of the tax-loss carryforwards and deductions, with respect to the main tax groups has been analysed as follows:

- Navarre tax group for €192,325 thousands (€210,477 thousands in 2015). The recovery of the tax-loss carryforwards and deductions by the Navarre Tax Group are reasonably ensured over a period of 10 years. Tax-loss carryforwards and deductions generated by the Navarre Tax Group expire for tax purposes in 15 years from the date of its generation. The tax-loss carryforwards that were recognised for an amount of €114,169 thousands (€114,169 thousands in December, 31 2015) and the deductions recognised for an amount of €78,156 thousands (€96,308 thousands in December 31, 2015) expire for tax purposes from 2024 froward.

- In addition, at the end of 2016 there were tax-loss carry forwards and deductions generated in other companies of the Group amounting to €57,377 thousands (€57,395 thousands in 2015) that have yet to be applied and his recovery is assured over a maximum of 5 years. The most significant amount is related to tax-loss carryforwards recognised in the United States for an amount of €54,841 thousands (€52,046 thousands in December 31, 2015) that expire or tax purposes from 2032 onward.

At December 31, 2016 and 2015, the GAMESA Group companies had unrecognised deferred tax assets. Also, the Group has unrecognised accredited tax loss carryforwards amounting to approximately €205,174 thousands (€217,569 thousands at December 31, 2015) and tax deductions amounting to approximately €157,277 thousands (€142,231 thousands at December 31, 2015). These deferred tax assets were not recognised because the GAMESA Group considers that the conditions for considering them to be recoverable in future years were not met. Tax-loss carryforwards and unrecognised deductions will expire for tax purposes from 2021 onward.

In accordance with current legislation, taxes may not be regarded as definitively settled until the relevant returns have been examined by the tax authorities or the relevant time limit has ended. At December 31, 2016, in Spain the Group has all years since 2012 open for review for income tax and all years since 2013 for the other taxes applicable to it. The Parent company's Directors consider that the aforementioned taxes have been appropriately settled and, consequently, even if there are discrepancies with respect to the interpretation of current legislation for the tax treatment given to the transactions, any potential resulting liabilities would not have a material effect on the accompanying Consolidated Financial Statements.

28. Commitments, guarantees to third parties and contingent liabilities

At December 31, 2016, the GAMESA Group had received guarantees from banks and insurance companies that were provided to third parties amounting €1,716,936 thousands (€1, 573,793 thousands in 2015). The breakdown by type, of the guarantees received by the GAMESA Group is as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Financing Guarantees	32,862	58,481
Business contract guarantees	1,666,282	1,488,647
Guarantees provided to the government	17,792	26,665
Total	**1,716,936**	**1,573,793**

According to the agreement of joint partners for the management of the offshore business (Note 11), both GAMESA and Areva have commitments for the transmission of shares and for the obtaining of external financing. Likewise, the GAMESA Group has given guarantees that were required for the activity of Adwen approximately amounting €478.5 million at December 31, 2016 (€304 million at Decemcer 31, 2015), as well as guarantees for the consecution of the financing for an amount of

€124.1 million (€68.4 million at December 31, 2015). The GAMESA Group does not maintain with Adwen other commitments or contingencies different to the aforementioned.

The GAMESA Group considers that the liabilities, if any, which might arise from the obligations and guarantees shown in the table above additional to those for which provisions had been recognised at December 31, 2016 and 2015 would not be significant.

29. Revenue and expense

A. REVENUE AND OTHER OPERATING INCOME

The detail of these headings in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Sale of goods (Notes 3.A and 3.B)	4,190,115	2,914,026
Rendering of services	421,868	589,776
Net revenues	**4,611,983**	**3,503,802**
Operating grants (Note 3.M)	959	664
Own work capitalised (Notes 3.D and 3.E)	69,063	52,082
Other revenues	6,638	10,702
Other operating income	**76,660**	**63,448**

B. PROCUREMENTS

The detail of "Procurements" in the consolidated income statements for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Acquisitions of raw materials and other supplies	3,326,762	2,575,159
Changes in inventories of goods held for resale and raw materials (Note 14)	(87,771)	(97,020)
Total	**3,238,991**	**2,478,139**

C. STAFF COSTS

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Wages and salaries	313,676	256,369
Incentive Plan (Note 18.E)	2,923	6,489
Compensations	4,010	5,800
Company Social Security contributions	66,356	55,826
Other benefit expenses	20,960	16,566
Total	**407,925**	**341,050**

In the framework of the Group policy to use incentive programs linked to the achievement of strategic medium-and long-term objectives, the Management Board has approved a 2016-17 incentive which are beneficiaries, the President and CEO, managers and key personnel in number of approximately 100 people, linked to achieving an operating result (EBIT) of the period from January 1, 2016, up to the date of effectiveness of the merger to end of the first quarter or beginning of the second quarter of 2017 (Note 37) and that includes a period of permanence for their full payment of two years. Based on this agreement, the Company has provided in the year 2016 a total of 5.2 million euros (none in the year 2015) with a credit to the heading "Other non-current liabilities".

The average number of employees and Directors in 2016 and 2015, by professional category, was as follows:

Categories	2016	2015
Board Members	12	11
Senior management	6	6
Directors	132	98
Management personnel	4,386	4,077
Employees	3,916	2,588
Total	**8,452**	**6,780**

In 2016, the company has created a new single catalogue of job positions, allocating the same roll and professional level to the equivalent positions in the regions and functions. The single catalogue and the organisational structure required by the regionalization were resulted in the reclassification of several positions.

The distribution of employees by gender in the year-end 2016 and 2015 is as follows:

	12.31.2016		
	Male	Female	Total
Board Members	10	2	12
Senior management	6	-	6
Directors	119	14	133
Management personnel	3,757	1,106	4,863
Employees	3,798	567	4,365
Total	**7,690**	**1,689**	**9,379**

	12.31.2015		
	Male	Female	Total
Board Members	9	3	12
Senior management	6	-	6
Directors	87	12	99
Management personnel	3,321	991	4,312
Employees	2,311	543	2,854
Total	**5,734**	**1,549**	**7,283**

The average number of employees of the Group in 2016 and 2015, with a disability equal to or greater than 33%, by category, was as follows:

Categories	2016	2015
Management personnel	8	9
Employees	21	20
Total	**29**	**29**

D. OTHER OPERATING EXPENSES

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Rent and royalties	47,188	40,960
Repairs, upkeep and maintenance expenses	18,928	14,023
Independent professional services	57,966	41,219
Vehicles	27,603	17,143
Insurance	23,281	19,089
Bank and similar services	15,079	12,372
Advertising, publicity and public relations	5,028	3,639
Utilites	15,845	15,460
Travel Expenses	40,649	35,795
Telecommunications	5,637	4,872
Security	5,560	4,622
Cleaning	2,018	1,848
Subcontracting	36,786	31,463
Other services	54,186	35,418
Taxes and other	48,843	29,567
Total	**404,597**	**307,490**

At December 31, 2016, the future minimum lease payments under non-cancellable operating leases arranged by the GAMESA Group amounted approximately to €43,841 thousands (€30,658 thousands in December 31, 2015). The due dates for the operating lease instalments that cannot be cancelled are as follows:

Year 2016	Thousands of euros		
	2017	**2018-2021**	**2022 onwards**
Operating lease instalments that cannot be cancelled	11,792	24,397	7,652

Year 2015	Thousands of euros		
	2016	**2017-2020**	**2021 onwards**
Operating lease instalments that cannot be cancelled	7,064	19,026	4,568

The most significant leasing agreements are related with different offices, both in Spain and in the differences places where the company develop its activity, as well as industrial units for the production of components such as nacelles or rotors and for several warehousing.

At December 31, 2016, the Company had recognised €5,008 thousands under the “Non-current deposits and guarantees” heading(Note 13.B) mainly related to existing leases (€3,366 thousands at December 31, 2015).

E. DEPRECIATION AND AMORTISATION CHARGE AND PROVISIONS

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Property, plant and equipment depreciation charge (Note 10)	83,320	63,816
Intangible asset amortisation charge (Note 9)	41,280	32,237
Depreciation	**124,600**	**96,053**
Change in operating provisions for guarantees and others (Note 23)	117,517	111,905
Change in write-downs of inventories (Note 14)	22,663	19,476
Change in other trade provisions (Note 15)	16,867	1,924
Provisions	**157,047**	**133,305**
Depreciation and provisions	**281,647**	**229,358**

F. FINANCE INCOME

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Profits from available-for-sale assets (Note 13.A)	1,980	3,640
Other finance and similar income	24,463	9,959
Total	**26,443**	**13,599**

G. FINANCE COSTS

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Financial expenses and others treated as such	47,920	46,453
Transfer of gains/losses on hedges of cash flows (Notes 18.C and 22)	1,385	672
Total	**49,305**	**47,125**

Capitalised interest on the construction of wind farms in 2016 and 2015 amounted to €1,277 thousands and €2,344 thousands, respectively. The average capitalisation rates used in 2016 and 2015 were 7.55% and 5.74%, respectively.

30. Directors' remuneration

In 2016 the Directors of GAMESA earned fixed and variable salaries, attendance allowances, and other items amounting approximately €5,623 thousands (€4,892 thousands in 2015). The breakdown of the aforementioned amount is as follows:

Thousands of euros	**12.31.2016**	**12.31.2015**
Members of the Board of Directors		
Type of remuneration		
Fixed compensation	2,288	2,073
Annual variable compensation	654	522
Long-term variable compensation	1,500	1,260
Attendance allowances	725	527
	5,167	**4,382**
Other benefits	456	510
Total	**5,623**	**4,892**

Within the remuneration to the Board of directors it has been included, as variable long-term remuneration, and under the long-term incentive plan approved by the General Meeting in 2013 whose measurement period ended in December 31, 2015, the amount corresponding to the recognition to the President and CEO of 94,880 shares of the company amounting €1,500 thousands (€15.81 per share, according to the stock value at the date of the agreement; none in 2015) that correspond to 50% of the recognised shares by that plan for a total of 189,759 shares (the final number of shares given was 61,672, after taxes); the delivery of the remaining 50% (that equally will have to be adjusted once the withholding tax is applied, according to the stock value at the date of the agreement) is due in 2017 once it is agreed by the Board of Directors. The amount related to the shares that will be given in 2017 will be included in the notes to the financial statements and in the corresponding management report with the same calculation method.

The concept of Other benefits at December 31, 2016 corresponds to (i) the amount of the premiums paid for the coverage of death and disability insurances amounting to €53 thousands (€51 thousands in 2015) and life and savings of the current directors amounting to €350 thousands (€400 thousands in 2015); and (ii) the allocation of the group insurance for executives, directors and other employees by €53 thousands (€59 thousands in 2015).

Within them fees to the Management Board the provision registered by incentive 2016-17 of which beneficiary is the President and Managing Director amounting to €366 thousands (none in 2015), whose remuneration will be effective once the period of time measurement has finished and whose liquidation will be produced a function of the extent of effective compliance of the objectives that they are subject to have not been included (Note 29.C).

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

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

Thousands of euros	**2016**	**2015**
Type of director		
Executives	3,428	2,915
External proprietary directors	516	531
External independent directors	1,679	1,446
Other external	-	-
Total	**5,623**	**4,892**

At the 2016 year-end the members of the Board of Directors of Gamesa Corporación Tecnológica, S.A. and certain persons related to them as defined in the Spanish Companies Act held ownership interests in the following companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Company's purpose. Also, following is a breakdown of the positions held and functions discharged at those companies:

Owner	Investee company	Line of Business	Number of Shares	Functions
Arregui Ciarsolo, Juan Luis	Iberdrola, S.A.	Power & utilities	30,284,584	None
Codes Calatrava, Gerardo	Iberdola, S.A.	Power & utilities	7,684	Director of the Global Legal Services of Regulation and Corporate Affairs of the Iberdrola Group
Villalba Sánchez, Francisco Javier (*)	Iberdrola, S.A.	Power & utilities	-	CEO of the Network Business of the Iberdrola Group
	Elektro Electricidade e Serviços, S.A.	Power & utilities	-	President
	Iberdrola USA Networks, Inc.	Power & utilities	-	President
	Iberdrola Distribución Eléctrica, S.A.	Power & utilities	-	President
	Scottish Power Energy Networks Holdings Ltd.	Power & utilities	-	President
Rubio Reinoso, Sonsoles	Iberdrola, S.A.	Power & utilities	39,935	Director of compliance at Iberdrola, S.A
Góngora Bachiller, Gema(**)	Iberdrola, S.A.	Power & utilities	4,284	Director of Development and Executive Management at Iberdrola, S.A

(*) On February 1, 2016, Mr. Francisco Javier Sánchez Villalba left his position as CEO of the Network Business of the Iberdrola Group and he also left his position in the Board of Directors of the rest of the companies mentioned above.
(**) On September 14, 2016, Ms. Gema Góngora Bachiller left his position as member of the Board of Directors.

The members of the Board of Directors were affected by the following conflicts of interest in 2016:

- Villalba Sánchez, Francisco Javier. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, November 10, and December 20, 2016.

- Góngora Bachiller, Gema. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, 2016.

- Codes Calatrava, Gerardo. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on November 10 and December 16, as well as, the meetings of the Audit and Compliance Committee held on November 10 and December 20, 2016.

- Rubio Reinoso, Sonsoles. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, November 10, December 20, as well as, the meetings of the Audit and Compliance Committee held on July 5, November 4, November 10 and December 15, 2016.

- Hernández García, Gloria. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Bankinter and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meeting held on November 10, 2016 when it was deliberated and adopted an agreement related with the syndicated loan of the GAMESA Group.

Finally, the Chairman and CEO and some of the members of the executive team at GAMESA have contractual agreements to receive financial compensation in the event of termination for reasons attributable to the Company and, in some cases, due to the occurrence of objective circumstances, such as a change in control. The financial compensation agreed for such termination consists, in general, of the payment of compensation up to a maximum of two years' salary, depending on personal and professional circumstances and the time at which the agreement was concluded.

31. Remuneration of senior management

Excluding those who are simultaneously members of the Board of Directors (whose remuneration is detailed in the Note 30), the compensation paid or payable to members of senior management for past employment services is set out in the following table:

	Thousands of euros euros	
	2016	**2015**
Salaries and other short-term compensation	3,628	4,694
Share-based payments	3,538	2,972
Total	**7,166**	**7,666**

Within the remuneration of senior management there is included as a variable compensation in the long term the accrued amount in cash of the long term incentive approved by the General Meeting of 2013, whose measurement period ended December 31, 2015, the value corresponding to senior management of 223,790 shares for a total amount of €3,538 thousands (15.81 euros per share, according to the list value at the settlement date; none euros in 2015; the number of shares effectively delivered to each beneficiary is determined once the corresponding withholding tax is applied) representative of 50 percent of the total recognized shares amounting to 447,580 shares. 50 percent of this amount will be settled within the first 90 days of 2017, once it is approved by the Management Board, (which will need to be adjusted once the corresponding withholding tax is applied, regarding the list value at the date of the corresponding agreement). The amount corresponding to the shares delivered in these periods are included in the annual corporate governance reports corresponding to them, calculated by the same calculation method.

Within them fees to the Senior Management the provision recorded by 2016-17 incentive of which are beneficiaries the members of the Senior Management amounting to €914 thousands (none euros in

2015), whose remuneration will be effective once the period of time measurement has finished and whose liquidation will be produced a function of the extent of effective compliance of the objectives that they are subject to, have not been included (Note 29.C).

In 2016 and 2015 there were no transactions with executives other than those carried out in the ordinary course of the business.

32. Related party balances and transactions

All the significant balances at year-end between the consolidated companies and the effect of the transactions between them during the year were eliminated in consolidation. The breakdown of the transactions with related companies and associates and companies that are related parties which were not eliminated in consolidation in 2016 and 2015 is as follows:

	Thousands of euros			
Year 2016	**Receivables**	**Balances Payables**	**Sales and services rendered**	**Services received**
Iberdrola, S.A. and subsidiaries	258,036	345,269	596,662	2,476
(Note 18)	23,555	61,409	2,326	79,551
Windar Renovables, S.L. and subsidiaries (Note 11)	101,906	-	4,461	-
Adwen Offshore, S.L. and subsidiaries (Note 11)	13,781	680	1,609	9,757
Others				
Total	**397,278**	**407,358**	**605,058**	**91,784**

	Thousands of euros			
Year 2015	**Receivables**	**Balances Payables**	**Sales and services rendered**	**Services received**
Iberdrola, S.A. and subsidiaries (Note 18)	47,393	100,275	207,860	6,352
Windar Renovables, S.L. and subsidiaries (Note 11)	28,226	46,263	1,027	102,778
Adwen Offshore, S.L. and subsidiaries (Note 11)	101,987	1,250	5,745	-
Others	11,417	933	1,425	20,229
Total	**189,023**	**148,721**	**216,057**	**129,359**

All transactions with associated parties were carried out under market conditions.

In addition, the GAMESA Group granted endorsements and/or guarantees amounting to €219 million at December 31, 2016 (€156 million at December 31, 2015).

A. AGREEMENTS RELATING TO THE WIND TURBINE AND OPERATIONS AND MAINTENANCE SEGMENTS

Through its subsidiary Gamesa Eólica, S.L. Unipersonal, on December 21, 2011 Gamesa and Iberdrola, S.A. concluded a framework agreement relating to the supply and maintenance of wind turbines. Under that framework agreement, the GAMESA Group and Iberdrola, S.A. have assumed the following commitments:

- Iberdrola, S.A shall acquire from GAMESA Group a quota of megawatts equivalent to 50% of the total on-shore wind turbine fleet that Iberdrola, S.A. acquires for its Renewables Business Unit during the term of the Framework Agreement.

  This commitment will be in force between January 1, 2013 and December 31, 2022 or the date on which the number of megawatts acquired by the Iberdrola Group from the GAMESA Group under the framework agreement totals 3,800, whichever occurs first.

The framework agreement replaces the previous contract. Nevertheless, the rights and obligations resulting from the framework agreement remain in force with respect to supplies prior to the framework agreement, which includes the planning of 502 MW.

- GAMESA and Iberdrola, S.A will closely collaborate with new opportunities relating to the offshore wind business.

- GAMESA and Iberdrola, S.A will collaborate within the area of maintenance services so that Gamesa Eólica will become a company of reference with respect to wind farm maintenance throughout Iberdrola's business. In particular, the following agreements have been reached:

  - Establish new areas of study and analysis for the rendering of maintenance services by Gamesa to Iberdrola, particularly the rendering of those services in the United States, the sale and installation of wind turbine reliability improvements or the extension of their useful lives and the conversion and update of wind turbine models.

  - The extension of current maintenance services.

During the years 2015 and 2014, the financial and commercial equipment of GAMESA and Iberdrola laid the foundations for the objective novation of certain terms of the Framework Agreements signed between the two companies and with validity until December 31, 2015 by which GAMESA came to provide maintenance services in various wind farms owned by Iberdrola. This objective novation affects certain technical aspects, scope of the services to be provided and economic aspect in order to suit the prevailing market conditions. It also forecasts the modification of the duration of the services to be provided to GAMESA, extending them until December 31, 2017, with the possibility of being extended for two other annual additional periods.

In the field of these negotiations, the parties formalized in March 2015 a new framework agreement that resolved the previous one dated on January 1, 2013 for the G8x and on January 1, 2012 for the G4X and G5x, incorporate, on the clauses of these, the amendments referred to above and with effect from January 1, 2014 for a total of 4,383 MW.

In addition, on October 2015, GAMESA and Iberdrola have reached an agreement to implement the product "Energy Thrust", aimed to increase the efficiency of the turbines and therefore their production ratios, for a total of 1,602 MW.

At December 2016, a later addendum to the previous contract has been signed extending it by additional 612MW for the 2MW platform. Moreover, for different companies in the Iberdrola Group an additional 795MW have been negotiated.

B. AGREEMENTS BETWEEN THE GAMESA GROUP AND WINDAR RENOVABLES, S.L.

On June 25, 2007 the GAMESA Group (through its subsidiary Gamesa Eólica, S.L. Unipersonal) concluded a power supply agreement with Windar Renovables, S.L. The conditions for transactions with associates are equivalent to those carried out with independent parties.

33. Other information

A) INFORMATION REGARDING THE DEFERRAL OF PAYMENTS MADE TO SUPPLIERS

In accordance with the single additional provision of the Resolution of January 29, 2016 of the Accounting and Audit Institute, about the information to include in the notes to the financial accounts related with the deferral of payments made to suppliers in commercial operations.

The average payment period to suppliers in the year 2016 and 2015 was the following:

	2016 Days	2015 Days
Average payment period	48.38	56.81
Settled operations ratio	47.96	57.47
Pending operations ratio	59.24	41.35

	Amount (Thousands of euros)	
	2016	2015
Total settled payments	1,357,891	1,100,007
Total pending payments	30,001	47,151

This average payment period is referred to the suppliers of the Spanish companies of the consolidated scope that for its nature are trade payables for goods and services supply, so it includes the figures related to “Trade and other payables” and “Trade and other payables to related companies” in the liabilities of the consolidated balance sheet attached.

34. Fees paid to auditors

In 2016 and 2015 the fees for the financial audit and other services provided by the auditor of the Group’s Consolidated Financial Statements and the fees billed by the auditors of the separate Statutory Financial Statements of the Consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

	Thousands of euros	
Year 2016	**Services rendered by EY**	**Services provided by other audit firms**
Audit services	1,506	14
Other attest services	119	-
Total audit and related services	**1,625**	**14**
Tax advisory services	101	-
Other services	44	-
Total services other companies in the network	**145**	**-**
Total professional services	**1,770**	**14**

	Thousands of euros	
Year 2015	**Services rendered by EY**	**Services provided by other audit firms**
Audit services	1,177	20
Other attest services	143	-
Total audit and related services	**1,320**	**20**
Tax advisory services	147	-
Other services	66	-
Total services other companies in the network	**213**	**-**
Total professional services	**1,533**	**20**

35. Earnings per share

At December 31, 2016 the average number of ordinary shares used in the calculation of earnings per share is 276,723,351 shares (Note 18.A) (276,132,529 shares at December 31, 2015), given that in 2016 GAMESA has held an average of 2,545,436 treasury shares (3,135,460 in 2015) (Note 18.E).

The basic earnings per share from continuing and discontinued operations attributable to the Parent company in 2016 and 2015 were as follows:

	2016	2015
Net profit from continuing operations attributable to the Parent (thousands of euros)	310,018	177,388
Net profit from discontinued operations attributable to the Parent (thousands of euros)	(8,740)	(7,172)
Average number of outstanding shares	276,723,351	276,132,529
Basic earnings per share from continuing operations (euros)	1.1203	0.6424
Basic earnings per share from discontinued operations (euros)	(0.0316)	(0.0260)
Total basic earnings per share	**1.0887**	**0.6164**

At December 31, 2016 and 2015, Gamesa Corporación Tecnológica, S.A., the Parent of the GAMESA Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

36. Disposal groups of assets classified as held-for-sale and discontinued activities

The Assets and Liabilities of the wind farm promotion in the United States, are presented as “Disposal groups of assets classified as held-for-sale” after the decision by Management to suspend the development and sale of wind farms in the United States.

Although it has passed more than one year since the classification of those assets as non-current assets held-for-sale, GAMESA keeps the prior classification because of the delay in facts or circumstances out of the Group’s control and the commitment and plan to sell the assets is maintained.

The breakdown of the assets and liabilities that make up opponent classified as "Disposal groups of assets classified as held-for-sale" at December 31, 2016 and 2015, as in both years the conditions for such a classification were met in accordance with the matters indicated in Notes 3.I, are as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Inventories	20,537	27,940
Receivables	813	806
Cash and other cash equivalents	-	-
Total current assets	**21,350**	**28,746**
Total disposal groups of items classified as held-for-sale	**21,350**	**28,746**
Other non-current liabilities	600	570
Total non-current liabilities	**600**	**570**
Other current liabilities	923	273
Total current liabilities	**923**	**273**
Total liabilities associated with disposal groups of items classified as held-for-sale	**1,523**	**843**
Net asset in disposal group	**19,827**	**27,903**

The main headings of the income statement relating to the component classified as a discontinued operation in 2016 and 2015 are as follows:

	Thousands of euros	
	2016	**2015**
Net revenues	4,006	4,262
Other expenses	(12,746)	(11,434)
Profit/(loss) before taxes	**(8,740)**	**(7,172)**
Corporate income tax attributable	**-**	**-**
Profit /(loss) for the year from discontinued activities	**(8,740)**	**(7,172)**

The development and sale of wind farms in the United States at December 31, 2016 and 2015 relates mainly to an operating wind farm in use owned by GAMESA and recognised under the heading "Inventories" in the table above. This heading was subjected to €31.9 million impairment recognised because the book value was higher than the recoverable value estimated by cash flow forecasts and references to transactions and other market parameters at December 31, 2012 with an additional impairment of €3 million at December 31, 2015.

At the date of authorisation for issue of the 2016 Group's Consolidated Financial, GAMESA maintains sales negotiations of this wind farm, having received a purchase offer amounting approximately €19 million. In this context, GAMESA has reflected an additional impairment that amounts €7 million, to consider the offer received as the best reflection of the expected realizable value. The management is developing the necessary actions interposed in the negotiation process, expecting a favourable resolution regarding the transfer of the non-current assets in the short-term.

At December 31, 2016 the amount recognised as "Profit for the year from discontinued operations" fundamentally includes the losses generated by this wind farm.

The breakdown of cash flows deriving from the component classified as discontinued operations in 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Cash flows from operating activities	(2)	1
Cash flows from investing activities	-	-
Cash flows from financing activities	2	-
Total cash flows from discontinued activities	**-**	**1**

37. Merger agreement with Siemens

On June 17, 2016, Gamesa Corporación Tecnológica, S.A. ("GAMESA or the "Company") and Siemens Aktiengesellschaft ("Siemens") have signed a merger agreement by which the Company´s business and Siemens´ wind business will be integrated by a merger through the absorption of a Siemens´ Spanish subsidiary (as the acquired company) by GAMESA (as the acquiring company). Siemens will receive, according to the exchange equation, GAMESA´s shares representing 59% of the capital once the merger is effective, while GAMESA´s actual shareholders will own shares representing the remaining 41%. The common merger project was approved by GAMESA´s Management Board and the sole administrator of Siemens Wind HoldCo on June 27, 2016.

In addition, as part of the merger, Siemens will make a cash contribution so that GAMESA can distribute €3.75 per share to its shareholders (that are not Siemens) once the merger is concluded (amount that will be reduced by the value of the ordinary dividends GAMESA had distributed between the merger signing date and the effective merger date). GAMESA paid a dividend of €0.15 per share in July 2016 that will be deducted from the extraordinary dividend.

As a consequence of the merger, GAMESA (as a combined Company) will have its registered office and general operations centre in Spain; and will continue trading in Spain. The operation centre of the onshore business will be stablished in Spain, while the offshore business centre will be in Hamburg (Germany) and Vejle (Denmark). The custody of the merging process until the completion of the merger (which will be effective once the deed of merger is registered in the Mercantile Registry) has been entrusted by GAMESA to one Independent Commission created for this purpose, which is exclusively formed by independent directors.

In this respect, Siemens and Iberdrola, S.A. and Iberdrola Participaciones, S.A. (Single/member company) (jointly, "Iberdrola") have signed an agreement whereby (i) Iberdrola is committed to support and vote in favor of the merger, and (ii) the rights and obligations of Siemens and Iberdrola from the date the contract is signed onwards are regulated.

The merger was subject to the approval of GAMESA's shareholders and other typical suspensive conditions, as the authorization of the competition agencies and the obtaining of the CNMW's exemption stablished in the article 8 g) of the Royal Decree 1066/2007, from the 27 of July, not to formulate a takeover bid after the completion of the merger.

At the preparation date, most of the suspensive conditions have been resolved, including:

- The granting to Siemens by the CNMV, on the 7 of December of 2016, of the exemption of the obligation of formulate a mandatory public offer of acquisition on all the actions in circulation of Gamesa after the completion of the merger.
- The approval of the merger and the extraordinary dividend in the same General Meeting of Shareholders of Gamesa that took place on the 25 of October 2016.

Also, the prior authorizations have been obtained, express or tacit, that are required by the competition authorities, leaving the approval of the European Union' competition authorities outstanding. The operation completion is expected by the end of the first trimester of 2017 or the beginning of the second trimester of 2017.

38. Post-balance sheet events

On January 5, 2017 Areva Energies Renouvelables SAS, has transmitted to the GAMESA Group (Gamesa Energía, S.A. Unipersonal) 50% of Adwen Offshore, S.L.'s capital, reaching 100% of the capital of this Company. This transaction is derived from the year on September 14, 2016 of the sale option granted on June 17, 2016.

The mentioned agreement of June 2016 between the GAMESA Group and Areva eliminated, from the signature date, the existing contractual restrictions regarding the constitution of the Joint Venture (Adwen) and which was fundamentally based on the exclusivity for the development of the Offshore Wind Business, enabling the merger between GAMESA and the Siemens Wind Business.

Regarding the stablished terms in the aforementioned sale option executed by Areva, GAMESA has paid the 50% of the company´s shares amounting to €60 million and has assumed in this context, an estimated amount of approximately €137 million of liabilities, corresponding mainly to the assumption of one part (1/3 on a general basis) of the eventual losses associated to technical guarantees of the offshore operating wind turbines initially covered almost totally by Areva. The amount of these guarantees has been estimated based on the best technical and economic information available. However, events that could occur in the future or the access to the knowledge of new information not available at the moment, could oblige to modify (upwards or downwards) these estimations in the future.

At year end, the sale option's valuation executed by Areva has been determined fundamentally with reference to the market value of 50% of Adwen, including a premium due to the elimination of the exclusivity right, in the context of the merger operation between GAMESA and Siemens. In this sense, the compensation derived from the execution of the option does not exceed the value attributed to Adwen in the context of the merger operation. In addition, the future modifications of the estimations of the assumed guarantees that reasonably could occur, would be covered by Adwen in the context of the merger operation.

The terms of this transaction have been endorsed by Siemens and taken into account in the regulatory agreement of the potential wind business merger, where the prohibition of carrying out certain actions on some relevant assets by GAMESA without Siemens´ express approval, such as corporate operations (for example, capital increases or decreases derived from structural modifications, statutory modifications, indebtedness increase, grant of guaranteed to third parties, commercial offers higher than the determined threshold or with special risks,…). In the particular case of Adwen, the obligation of raising its agreement is reinforced in the sale option and compensation agreements with Siemens referred below, where, in addition to the previous requirements, GAMESA must request its approval in relation to the modifications in the contracts with some specific clients that, essentially, are important business aspects. Therefore, material decisions about Adwen's relevant activities cannot be taken unilaterally by GAMESA. Thus, GAMESA does not execute the power it has received in its capacity as sole shareholder, not existing a 'control' over Adwen in accounting terms, even though GAMESA will maintain its position of 'significant influence'. Taking into account these considerations, and in order to adequately reflect the economical background of the transaction, Adwen's participation will continue being consolidated by the equity method, with the imputation of the total earnings generated.

As a consequence of these agreements, the exchange equation communicated, will not be modified and no cash/debt impacts are expected to be derived from the effectiveness of the merger in relation to the working capital/net debt adjustment mechanisms at December 31, 2016.

Finally, the agreements signed between GAMESA and Siemens regulate the scenarios where, if the merger is not completed, certain rights and obligations assumed by GAMESA as a consequence of the sale will also be assigned to Siemens, through cross/linked options. Considering the characteristics of the mentioned operations that are being developed derived from the agreements signed between both parties and, in any of the most probable scenarios that could be derived from their execution, the negative impact has been estimated to be approximately €7 million, registered under the "Financial expenses" heading in the consolidated income statement of the year 2016.

In this sense, the GAMESA Group has made its best estimate of the probabilities associated with these scenarios in order to determine the designated impact on the income statement.

Additionally, there were no other significant post balance sheet events.

39. Explanation added for translation to English

These Consolidated Financial Statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRS may not conform to other generally accepted accounting principles in other countries.

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
FULLY CONSOLIDATED COMPANIES				
A) GAMESA ENERGÍA GROUP				
Gamesa Energía, S.A. Unipersonal	Development of wind farms	EY	Vizcaya	100%
A.1 Wind Farms				
· **Development of wind farms**				
Gamesa Inversiones Energéticas Renovables, S.A.	Development of wind farms	EY	Vizcaya	100%
Gamesa Energía Italia, S.P.A.	Development of wind farms	EY	Italy	100%
Gamesa Energiaki Hellas, A.E.	Development of wind farms	EY	Greece	100%
Gamesa Energie France, E.U.R.L.	Development of wind farms	EY	France	100%
Parques Eólicos del Caribe, S.A.	Development of wind farms	PWC	Dominican Republic	57%
Navitas Energy, Inc.	Development of wind farms	-	United States	97%
Gamesa Energy Romania, Srl	Development of wind farms	-	Romania	99%
Gamesa Energy UK, Ltd.	Development of wind farms	EY	United Kingdom	100%
Wind Portfolio MemberCo, LLC	Development of wind farms	-	United States	100%
Gamesa Energie Deutschland, GmbH	Development of wind farms	EY	Germany	100%
Kurnool Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
Kadapa Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
Anantapur Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
GERR, Grupo Energético XXI, S.A Unipersonal	Development of wind farms	-	Barcelona	100%
International Wind Farm Developments II, S.L.	Development of wind farms	-	Vizcaya	100%
Sistemas Energéticos Tablero Tabordo, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Developments IX, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development IV, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development V, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development VI, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development VII, S.L.	Development of wind farms	-	Vizcaya	100%
Eólica Da Cadeira, S.A.	Development of wind farms	-	A Coruña	65%
Gesa Energía S.R.L.de C.V.	Development of wind farms	-	Mexico	100%
Gesan México 1, S.A.P.I. DE C.V.	Development of wind farms	EY	Mexico	100%
EBV Holding Verwaltung, GmbH	Development of wind farms	-	Germany	100%
Gamesa Europa, S.L.	Development of wind farms	-	Galicia	100%
Gamesa Wind Romania, S.R.L.	Development of wind farms	EY	Romania	100%
· **Operation of wind farms**				
Baileyville Wind Farm, LLC	Operation of wind farms	-	United States	97%
Windfarm 33, GmbH	Operation of wind farms	-	Germany	100%
Windfarm 35, GmbH	Operation of wind farms	-	Germany	100%
Windfarm Ganderkesee-Lemwerder GmbH	Operation of wind farms	-	Germany	100%
Windfarm 40, GmbH	Operation of wind farms	-	Germany	100%
Windfarm 41, GmbH	Operation of wind farms	-	Germany	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Sistemas Energéticos Balazote, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%
Sistemas Energéticos Jaralón, S.A. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos La Plana, S.A.	Operation of wind farms	Attest	Zaragoza	90%
Sistemas Energéticos Barandón, S.A.	Operation of wind farms	-	Valladolid	100%
Eoliki Peloponisou Lakka Energiaki A.E.	Operation of wind farms	EY	Greece	86%
Eoliki Attikis Kounus Energiaki A.E.	Operation of wind farms	EY	Greece	86%
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos de Tarifa, S.L. Unipersonal.	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Argañoso, S.L. Unipersonal.	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos del Sur, S.A.	Operation of wind farms	-	Sevilla	70%
Sistemas Energéticos Tomillo, S.A. Unipersonal.	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Sierra de Lourenza, S.A. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Edreira, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Campoliva, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%
Sistemas Energéticos Carril, S.L.Unipersonal	Operation of wind farms	-	Vizcaya	100%
Gesacisa Desarrolladora, S.A. de C.V.	Operation of wind farms	EY	Mexico	100%
Sistemas Energéticos Alcohujate, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%
SAS SEPE St. Loup de Saintonge	Operation of wind farms	-	France	100%
SAS SEPE Source de Sèves	Operation of wind farms	-	France	100%
SAS SEPE Dampierre Prudemanche	Operation of wind farms	EY	France	100%
SAS SEPE Germainville	Operation of wind farms	EY	France	100%
SAS SEPE Cote du Cerisat	Operation of wind farms	EY	France	100%
Sistemas Energéticos el Valle, S.L.	Operation of wind farms	-	Navarra	100%
Sistemas Energéticos Fonseca, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos del Umia, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Cuntis, S.A.	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos La Cámara, S.L.	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Operation of wind farms	-	Canarias	100%
Sistemas Energéticos Alto de Croa, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Boyal, S.L.	Operation of wind farms	-	Zaragoza	60%
Energiaki Arvanikos, EPE	Operation of wind farms	-	Greece	100%
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Operation of wind farms	-	Granada	83%
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Sistemas Energéticos Sierra de las Estancias, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Parco Eolico Tuturano, S.R.L.	Operation of wind farms	-	Italia	100%
Parco Eolico Banzi, S.R.L.	Operation of wind farms	-	Italia	100%
Osiek Sp. Z o.o	Operation of wind farms	-	Poland	100%
Sistemas Energéticos Monte Genaro, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Sierra del Carazo, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sellafirth Renewable Energy Park Ltd.	Operation of wind farms	-	United Kingdom	100%
Watford Gap Renewable Energy Park Ltd.	Operation of wind farms	-	United Kingdom	100%
Bargrennan Renewable Energy Park Limited	Operation of wind farms	-	United Kingdom	100%
Windfarm Ringstedt II, GmbH	Operation of wind farms	-	Germany	100%
Windfarm Gross Hasslow, GmbH	Operation of wind farms	-	Germany	100%
Sistemas Energéticos Islas Canarias, S.L.	Operation of wind farms	-	Canarias	100%
Ger Baraganu, S.R.L	Electric energy production	-	Romania	100%
Ger Independenta, S.R.L.	Electric energy production	-	Romania	100%
Ger Baneasa, S.R.L.	Electric energy production	-	Romania	100%
Lingbo SPW AB	Electric energy production	EY	Sweden	100%
Sistemas Energéticos Mansilla, S.L.	Electric energy production	-	Burgos	78%
Central Eolica de México I, S.A. de C.V.	Operation of wind farms	-	Mexico	100%
Energía Eólica de México	Operation of wind farms	-	Mexico	50%
Energía Renovable del Istmo	Operation of wind farms	-	Mexico	50%
Elliniki Eoliki Energiaki Kseropousi, S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki Pirgos, S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki Kopriseza, S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki LIKOURDI, S.A.	Operation of wind farms	-	Greece	86%
LICHNOWY Windfarm Sp. z o.o.	Operation of wind farms	-	Poland	100%
UJAZD Sp. z o.o.	Operation of wind farms	-	Poland	100%
Sistemas Energéticos Finca de San Juan, S.L.	Operation of wind farms	-	Zaragoza	100%
Whitehall Wind, LLC	Operation of wind farms	-	United States	97%
Fanbyn2 Vindenergi AB	Operation of wind farms	-	Sweden	100%
SEPE de la Brie des Etangs	Operation of wind farms	-	France	100%
SEPE de la Tête des Boucs	Operation of wind farms	-	France	100%
SEPE de Chepniers	Operation of wind farms	-	France	100%
SEPE de Orge et Ornain	Operation of wind farms	-	France	100%
SEPE de Bonboillon	Operation of wind farms	-	France	100%
SEPE de Souvans	Operation of wind farms	-	France	100%
SEPE de Sambourg	Operation of wind farms	-	France	100%
SEPE de Pringy	Operation of wind farms	-	France	100%
SEPE de Soudé	Operation of wind farms	-	France	100%
SEPE de Chaintrix Bierges	Operation of wind farms	-	France	100%
SEPE de Plancy l'Abbaye	Operation of wind farms	-	France	100%
SEPE de Coupetz	Operation of wind farms	-	France	100%
SEPE de Trépot	Operation of wind farms	-	France	100%
SEPE de Bouclans	Operation of wind farms	-	France	100%
SEPE de Savoisy	Operation of wind farms	-	France	100%
SEPE de La Loye	Operation of wind farms	-	France	100%
SEPE de Longueville sur Aube	Operation of wind farms	-	France	100%
SEPE de Sceaux	Operation of wind farms	-	France	100%
SEPE de Guerfand	Operation of wind farms	-	France	100%
SEPE d'Orchamps	Operation of wind farms	-	France	100%
SEPE de Vaudrey	Operation of wind farms	-	France	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
SEPE de Pouilly-sur-Vingeanne	Operation of wind farms	-	France	100%
SEPE de Mantoche	Operation of wind farms	-	France	100%
SEPE de Vernierfontaine	Operation of wind farms	-	France	100%
SEPE de Broyes	Operation of wind farms	-	France	100%
SEPE de Saint-Lumier en Champagne	Operation of wind farms	-	France	100%
SEPE de Songy	Operation of wind farms	-	France	100%
SEPE de Margny	Operation of wind farms	-	France	100%
SEPE de Saint Bon	Operation of wind farms	-	France	100%
SEPE de Cernon	Operation of wind farms	-	France	100%
SEPE de Champsevraine	Operation of wind farms	-	France	100%
SEPE de Romigny	Operation of wind farms	-	France	100%
SEPE de Sommesous	Operation of wind farms	-	France	100%
SEPE de Clamanges	Operation of wind farms	-	France	100%
SEPE de Saint Amand	Operation of wind farms	-	France	100%
SEPE de Landresse	Operation of wind farms	-	France	100%
SEPE de Mailly-le-Camp	Operation of wind farms	-	France	100%
Lindomberget Vindenergi AB	Operation of wind farms	-	France	100%
Smardzewo Windfarm Sp. z o.o	Operation of wind farms	-	France	100%
A.2 Manufacturing of wind turbines				
Gamesa Eólica, S.L. Unipersonal	Wind-powered facilities	EY	Navarra	100%
Gamesa Innovation & Technology, S.L. Unipersonal	Manufacture of moulds, blades and provision of central services (engineering)	EY	Navarra	100%
Estructuras Metálicas Singulares, S.A.	Manufacture of wind generator towers	EY	Navarra	100%
Gamesa Wind, GmbH	Wind-powered facilities	EY	Germany	100%
Gamesa Eólica Italia, S.R.L.	Wind-powered facilities	EY	Italy	100%
Gamesa Wind UK Limited	Manufacturing and holding company	EY	United Kingdom	100%
Gamesa Lanka Private Limited	Manufacturing and holding company	EY	Sri Lanka	100%
Gamesa Singapore Private Limited	Manufacturing and holding company	EY	Singapur	100%
Gesa Eólica Honduras, S.A.	Manufacturing and holding company	-	Honduras	100%
Gamesa Eólica VE, C.A.	Manufacturing and holding company	-	Venezuela	100%
Gamesa Finland OY	Manufacturing and holding company	-	Finland	100%
Servicios Eólicos Globales, S.R.L. de C.V.	Manufacturing and holding company	-	Mexico	100%
Gamesa Mauritania SARL	Manufacturing and holding company	-	Mauritius	100%
Gamesa Ukraine LLC	Manufacturing and holding company	-	Ukraine	100%
Gamesa Uruguay S.R.L	Wind-powered facilities	-	Uruguay	100%
Gamesa Eólica Nicaragua, S.A.	Wind-powered facilities	-	Nicaragua	100%
Gamesa Kenya Limited, S.L.	Wind-powered facilities	-	Kenya	100%
Gamesa Puerto Rico, C.R.L.	Wind-powered facilities	-	Puerto Rico	100%
Gamesa Belgium,S.R.L	Wind-powered facilities	EY	Belgium	100%
Gamesa Israel Ltd.	Wind-powered facilities	EY	Israel	100%
Gamesa Mauritius Ltd.	Wind-powered facilities	EY	Mauritius	100%
B9 Energy O&M Limited	Wind-powered facilities	EY	United Kingdom	100%
RSR Power Private Limited	Manufacturing and holding company	-	India	100%
Rajgarh Windpark Private Limited	Manufacturing and holding company	-	India	51%
Gamesa Energia Portugal	Wind-powered facilities	-	Portugal	100%
Gamesa Renewable Private Ltd	Wind-powered facilities	EY	India	100%
Gamesa Blade Tianjin Co. Ltd.	Design, manufacture and assembly of blades	EY	China	100%
Gamesa (Beijing) Wind Energy System Development Co. Ltd.	Manufacture of wind components and maintenance of wind farms	EY	China	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Gamesa Wind Tianjin Co. Ltd.	Manufacture of wind components	EY	China	100%
Gamesa Trading Co. Ltd.	Raw material trader	EY	China	100%
Gamesa Cyprus Limited	Manufacturing and holding company	-	Cyprus	100%
Gamesa New Zeland Limited	Manufacturing and holding company	-	Nueva Zealand	100%
Gamesa Wind Bulgaria, EOOD	Fabricación, construcción y explotación de parques eólicos	EY	Bulgaria	100%
Gamesa Eolica France, S.A.R.L.	Instalaciones eólicas	EY	France	100%
Gamesa Electric, S.A. Unipersonal	Manufacture and sale of electronic equipment	EY	Vizcaya	100%
Gamesa Wind South Africa PTY Ltd.	Manufacturing and holding company	-	South Africa	100%
Gamesa Australia PTY, Ltd.	Manufacturing and holding company	-	Australia	100%
Gamesa Chile SpA	Manufacturing and holding company	-	Chile	100%
Gamesa Dominicana, S.A.S.	Manufacturing and holding company	EY	Dominican Republic	100%
Gamesa Energy Transmission, S.A. Unipersonal	Manufacture of wind components	EY	Vizcaya	100%
Gesa Eólica Mexico, SA de CV	Wind-powered facilities	EY	Mexico	100%
Gamesa Energía Polska Sp zoo	Wind-powered facilities	-	Poland	100%
Parque Eólico Dos Picos, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Gamesa Morocco, SARL	Wind-powered facilities	-	Morocco	100%
Gamesa Wind Energy Services, Ltd	Manufacturing and holding company	-	Turkey	100%
Gamesa Eólica Costa Rica, S.R.L.	Manufacturing and holding company	-	Costa Rica	100%
Gamesa Wind Sweden, AB	Manufacturing and holding company	EY	Sweden	100%
Gamesa Japan Kabushiki Kaisha	Manufacturing and holding company	-	Japan	100%
Gamesa Wind Hungary KTF	Manufacturing and holding company	EY	Hungary	100%
Gamesa Eólica Greece E.P.E	Manufacturing and holding company	-	Greece	100%
Jilin Gamesa Wind Co., Ltd.	Manufacturing and holding company	EY	China	100%
Inner Mongolia Gamesa Wind Co.,Ltda.	Manufacturing and holding company	EY	Mongolia	100%
Gamesa Ireland Limited	Manufacturing and holding company	EY	Ireland	100%
GM Navarra Wind Energy Private Limited	Manufacturing and holding company	-	India	100%
Gamesa Canada, ULC	Manufacturing and holding company	-	Canada	100%
Gamesa Azerbaijan, LLC	Manufacturing and holding company	-	Azerbaijan	100%
Gamesa Eólica Brasil, Ltd.	Management of electricity facilities	-	Brazil	100%
Gamesa Latam, S.L.U.	Manufacturing and holding company	EY	Spain	100%
Gamesa Apac, S.L.U.	Manufacturing and holding company	EY	Spain	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	Manufacturing and holding company	EY	China	100%
Gamesa Thailand Co., Ltd	Manufacturing and holding company	EY	Thailand	100%
B) GAMESA TECHNOLOGY CORPORATION GROUP				
Gamesa Technology Corporation, Inc	Administrative management services	EY	United States	100%
Gamesa Wind US, LLC	Maintenance services of wind farms	EY	United States	100%
Gamesa Wind, PA, LLC	Manufacture and assembly of wind generators	EY	United States	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Cedar Cap Wind, LLC	Operation of wind farms	-	United States	100%
Crescent Ridge II, LLC	Operation of wind farms	-	United States	100%
Diversified Energy Transmission, LLC	Operation of wind farms	-	United States	100%
Mahantango Wind, LLC	Operation of wind farms	-	United States	100%
Pocahontas Wind, LLC	Operation of wind farms	-	United States	100%
Muskegon Wind, LLC	Operation of wind farms	-	United States	100%
Pocahontas Prairie Wind Holding , LLC	Operation of wind farms	-	United States	100%
C) OTHERS				
International Wind Farm Services, S.A.U	Promotion of companies	-	Spain	100%
Gamesa Financiación, S.A. Unipersonal	Promotion of companies	-	Spain	100%
9Ren España, S.L.	Solar energy	-	Spain	100%
Convertidor Solar G.F. Uno, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar G.F. Dos, S.L.U.	Solar energy	-	Spain	100%
Aljaraque Solar, S.L.	Solar energy	-	Spain	100%
Convertidor Solar G.F. Tres, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Uno, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Ciento Veintisiete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Doscientos Noventa y Siete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Doscientos Noventa y Nueve, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Diecisiete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Dieciocho, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Diecinueve, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Veinte, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Sesenta y Siete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Setenta, S.L.U.	Solar energy	-	Spain	100%
9REN Services Italia, s.r.l.	Solar energy	-	Italy	100%
9REN Israel Ltd.	Solar energy	-	Israel	100%
D) COMPANIES ACCOUNTED BY EQUITY METHOD				
Windar Renovables, S.L.	Holding Company of the tower manufacturing companies	PWC	Asturias	32%
Windar Logistic, S.L.	Manufacturing and holding company	PWC	Jaén	32%
Tadarsa Eólica	Manufacturing and holding company	PWC	Avilés	32%
Windar Wind Services, SL.Unipersonal	Manufacturing and holding company	PWC	España	32%
Windar Renewable Energy Private Ltd	Manufacturing and holding company	PWC	India	32%
Windar Offshore, S.L	Manufacturing and holding company	PWC	Avilés	32%
Apoyos Metálicos, S.A.	Manufacturing and holding company	PWC	Navarrra	32%
Torres Eólicas do Brasil Ltda	Manufacturing and holding company	PWC	Brazil	32%
AEMSA Santana	Manufacturing and holding company	PWC	Jaén	32%
Energías Renovables San Adrián de Juarros, S.A.	Development and Operation of wind farms	-	Burgos	45%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Nuevas Estrategias de Mantenimiento, S.L.	Design, manufacturing, development and commercialization of technological solutions and engineering	Deloitte	Spain	50%
Windkraft Trinnwillershagen Entwicklungsgesellschaft, GmbH	Development of wind farms	-	Germany	50%
Sistems Electrics Espluga, S.A.	Operation of wind farms	-	Barcelona	50%
Kintech Santalpur Windpark Private Limited	Manufacturing and holding company	-	India	49%
Baja Wind Llc	Manufacturing and holding company	-	United States	50%
ADWEN Offshore SL	Offshore business	EY	Spain	50%
SSEE Arinaga, SA	Offshore business	-	Spain	50%
ADWEN GmbH	Offshore business	EY	Germany	50%
ADWEN BLADES GmbH	Offshore business	EY	Germany	50%
ADWEN UK Ltd.	Offshore business	EY	United Kingdom	50%
ADWEN France	Offshore business	EY	France	50%
ADWEN Verwaltungs GmbH	Offshore business	-	Germany	50%
AD 8MW GmbH Co.& KG	Offshore business	-	Germany	50%

CARLOS RODRIGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS "GAMESA CORPORACIÓN TECNOLÓGICA, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222 WITH EMPLOYER IDENTIFICATION NUMBER A-01011253.

HEREBY CERTIFY:

That the text of the consolidated annual accounts for 2016 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., authorised for issue by the Board of Directors at its meeting held on February 22, 2017, is the content of the preceding 100 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

José María Aldecoa Sagastasoloa
Member of the Board of Directors

Francisco Javier Villalba Sánchez
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Gerardo Codes Calatrava
Member of the Board of Directors

Zamudio, February 22, 2017. In witness whereof

Approval of the Chairman

Ignacio Martín San Vicente
Chairman and CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

1. COMPANY'S EVOLUTION DURING THE YEAR

AN EXTRAORDINARY YEAR IN WHICH GAMESA BEATS ITS GUIDANCE AND CONSOLIDATES THE FOUNDATIONS OF ITS LONG-TERM STRATEGY.

Gamesa Corporación Tecnológica[i] ended 2016 with record orders, sales, profitability and cash flow generation, having beaten its guidance for the year — even after upgrading it twice.

Strong commercial activity, the result of a growth-oriented competitive position, resulted in 1,386 MW[ii] of new orders in Q4, 33% more than in the same period of 2015, which raised order intake in the last twelve months to 4,687 MW (+21% y/y). The order backlog stood at 3,552 MW (+11% y/y) at the end of the year. This strong commercial performance provides a high degree of visibility to this year's guidance (c. 5,000 MWe). Gamesa begins 2017 with orders covering 63% of its projected sales[iii], similar to the position at the beginning of 2016.

Revenues increased by 32% in 2016, to €4,612 billion. EBIT amounted to €477 million (+48% y/y), and the EBIT margin was 10.4%, 1.1 percentage points higher than in 2015. Finally, net profit rose by 77% y/y, to €301 million. Recognition of Adwen reduced 2016 net profit by €25 million.

Higher profitability together with focused investment in working capital, which declined by €237 million to -4.9%[iv] of revenues, and in capex, which amounted to €211 million, enabled Gamesa to achieve 30% ROCE and €423 million net free cash flow while maintaining its commitment to a sound balance sheet and ending the year with a net cash position of €682 million.

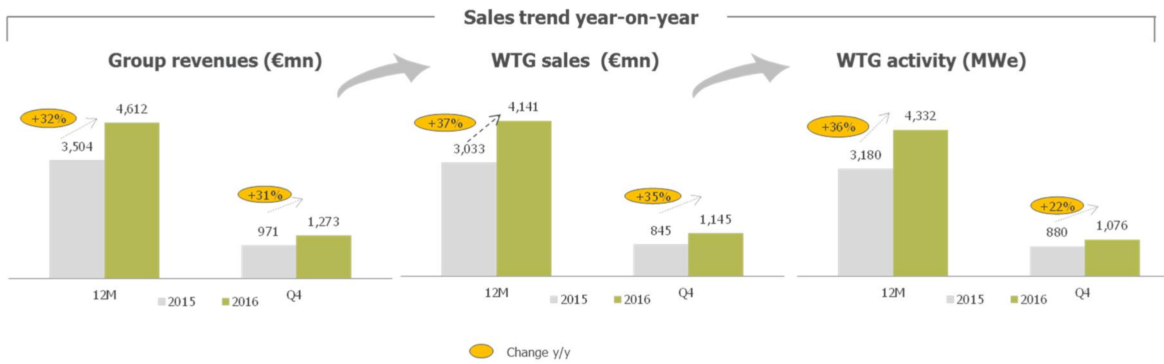
Gamesa is also advancing with its long-term value-creation strategy, having signed an agreement, approved by its shareholders on 25 October, to merge with Siemens Wind Power.

Main consolidated figures for 2016

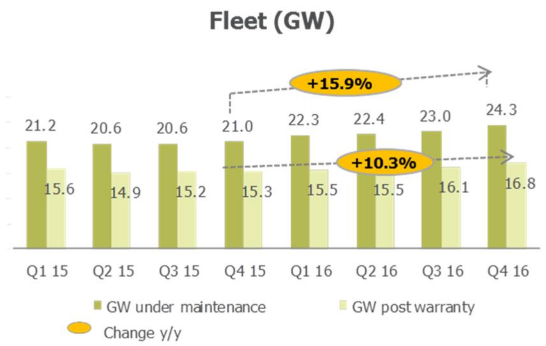
- **Revenues:** €4,612 million (+31.6% y/y)
- **EBIT**: €477 million (+47.9% y/y)
- **Net profit:** €301 million (+77.0% y/y)
- **NFD (Cash)[v]:** -€682 million
- **MWe sold:** 4,332 MWe (+36.2% y/y)
- **Firm order intake:** 4,687 MW[vi] (+20.7% vs. 2015)

Gamesa Corporación Tecnológica ended 2016 with €4,612 million in revenues, 32% more than in 2015, as a result of strong growth in wind turbine manufacturing and sales. At constant exchange rates, revenues increased by 38% y/y to €4,818 million.

Revenues in the Wind Turbine Generator (WTG) division increased by 37% y/y, to €4,141 million, due to growth in volume to 4,332 MWe, 36% more than in 2015. That growth was distributed over practically all regions: Europe/RoW, Latin America, the US and India. APAC (inc. China) was the only exception, due mainly to contraction of the Chinese market, where the pace of installations fell from 30.5 GW in 2015 to 23.3 GW in 2016, according to the latest figures from the Global Wind Energy Council (GWEC)[vii].

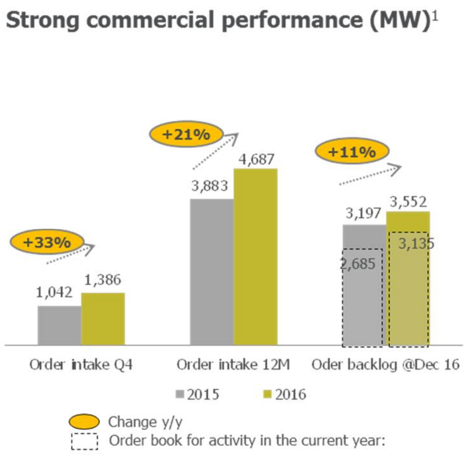


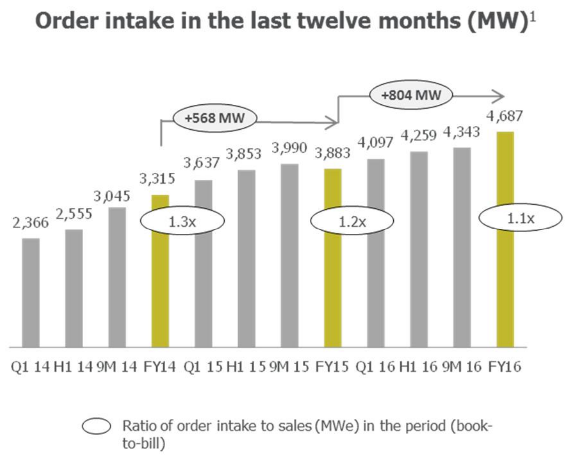
O&M services revenues amounted to €471 million, i.e. stable in year-on-year terms and in line with expectations for 2016**.** The rising trend in the total fleet under maintenance and the post-warranty fleet was confirmed in 2016: +16% (to 24,331 MW) and +10% y/y (to 16,827 MW), respectively. This growth was driven by expansion of the fleet in emerging markets, as envisaged in the business plan 15-17E, and by an improvement in the post-warranty renewal rate.



Growth in sales volume in 2016 was the result of the company's strong competitive positioning and its presence in markets with above-average growth rates. Gamesa's strong competitive position is supported not only by a diversified geographic footprint (55 countries) but also by an extensive customer base, a portfolio of products and services focused on maximising the return on wind assets, and a presence throughout the wind value chain. In a year in which the pace of installations ex-China came down from 32.5 GW in 2015 to 31.3 GW in 2016, according to the Global Wind Energy Council (GWEC)[viii], **Gamesa's strong performance enabled it to increase installations in the year by 27% to 4,262 MW, bringing its total accumulated figure to 38,875 MW by 2016 year-end, and positioning itself in the fourth position of the worldwide[ix] wind ranking according to Bloomberg New Energy Finance.**

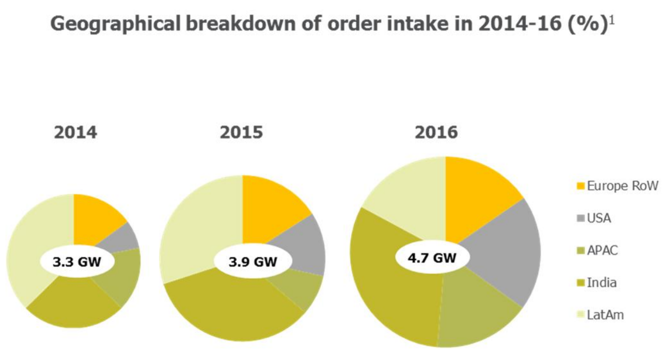
Also as a result of that positioning, the company signed **1,386 MW[x] of orders in the fourth quarter, 33% more than in the same period of 2015** and equivalent to a **book-to-bill ratio[xi] of 1.3**, exceeding the 1.2 ratio achieved in the same period of 2015. **Total order intake amounted to 4,687 MW in 2016,** equivalent to a **book-to-bill ratio of 1.1[xii],** and **the order backlog at 2016 year-end stood at 3,552 MW, 11% more than** at the end of 2015. Strong commercial performance in 2016 enabled Gamesa to commence 2017 with a high degree of visibility with regard to its volume guidance, having attained **63% coverage[xiii] of the volume guided for 2017 (c. 5,000 MWe)**.

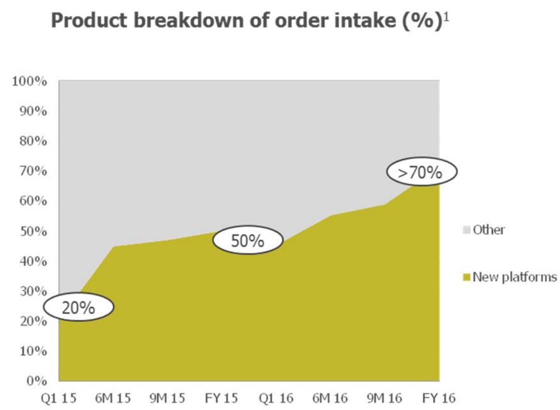




1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years (including 731 MW signed in Q4 16 and announced in Q1 17).

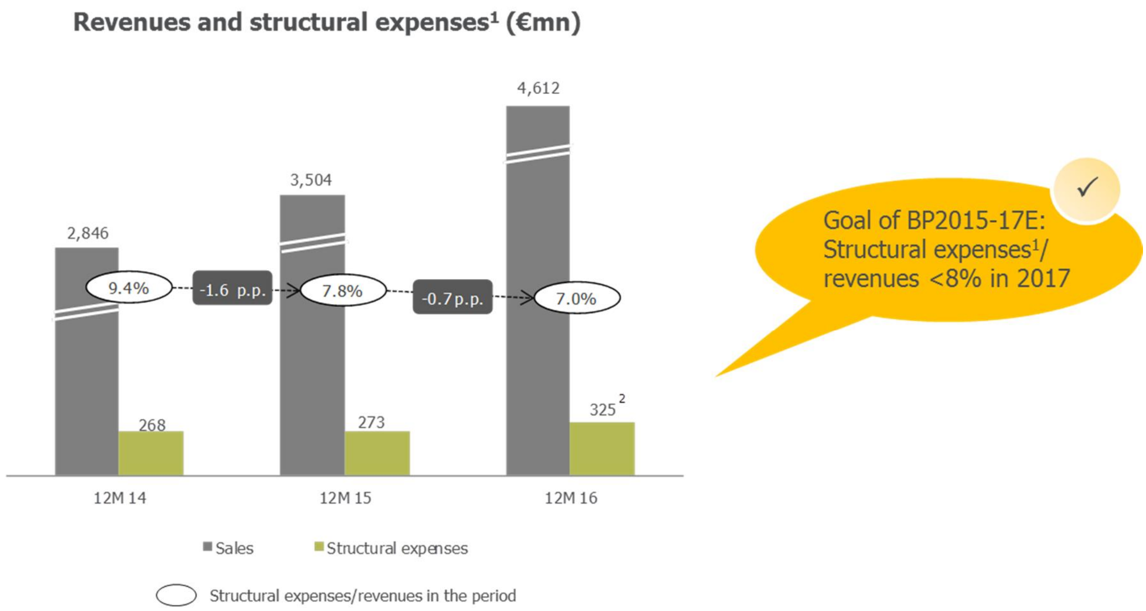
Order intake was very diversified in geographical terms, with a strong contribution from the new generations of products. In geographical terms, Gamesa retains its leading position in developing markets while strengthening its presence in mature markets. While India represents the highest volume orders in 2016, US and APAC, followed by Europe and Mexico lead the growth in new orders. As regards new product penetration, the G114 2.0-2.5 MW and G126 2.5MW platform's contribution rose from 50% of order intake in 2015 to 67% in 2016, and the first order for the G132-3.465 MW machine was signed in the fourth quarter of 2016, with the result that products with rotors larger than 100 metres accounted for over 70% of order intake in the year.





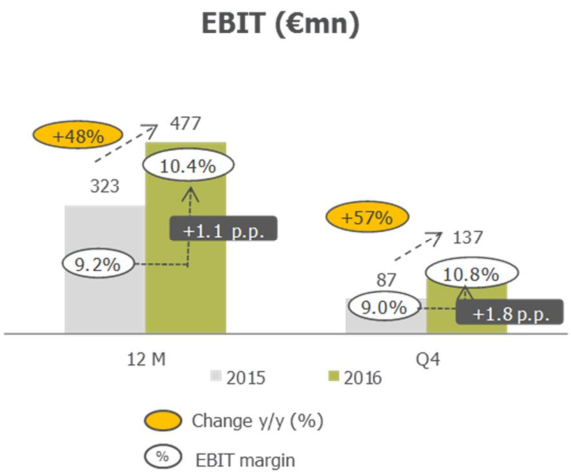
1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years (including 731 MW signed in Q4 16 and announced in Q1 17.

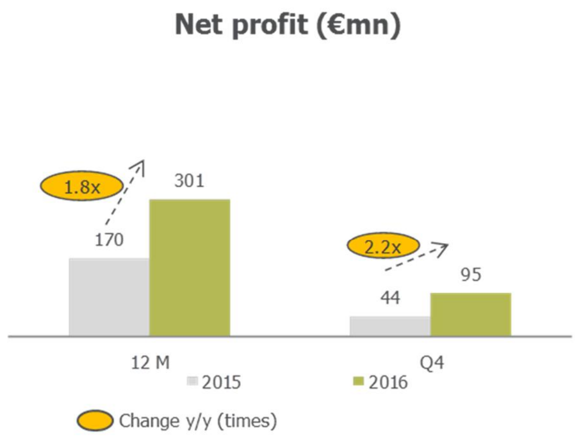
In this context of growing activity, Gamesa remains focused on controlling structural costs so as to maintain a low break-even point. As a result, structural expenses[xiv] amounted to 7% of revenues in 2016, i.e. below the target set in the business plan for 2015-17E, and 0.7 percentage points lower than in 2015. It should be noted that structural expenses increased in 2016 to support the growth planned for 2017.



1. Structural expenses with a cash impact (excluding D&A).
2. Structural expenses excluding €5.3mn in expenses relating solely to the merger.

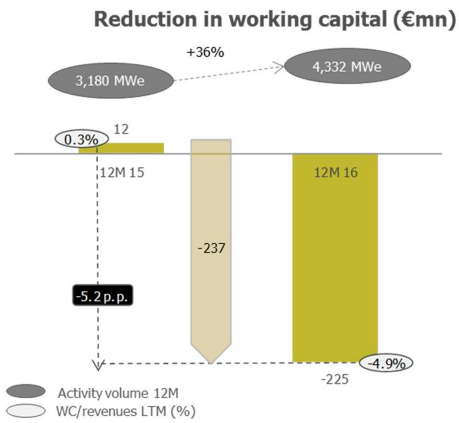
Control of fixed costs, together with ongoing optimisation of variable costs and quality excellence programmes, enabled Gamesa to offset a lower relative contribution to group revenues from O&M (with returns in excess of the manufacturing business) and steadily increase total operating profitability. Meanwhile, performance by the currencies in which Gamesa operates had a negative but limited impact of 0.1 percentage points, in line with the 2016 guidance (± 0.5 p.p.). **As a result, Gamesa ended 2016 with an EBIT margin of 10.4%**, 1.1 percentage points higher than in 2015, while **EBIT amounted to €477 million 48% more than in 2015.**

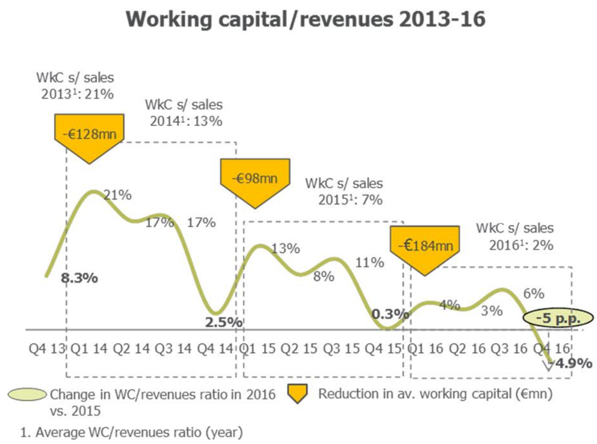




Growth in volume and revenues and rising profitability enabled **Gamesa to increase net profit by 77% in 2016, to €301 million.** Adwen (50% integrated in 2016 by the equity method) has had a negative impact in the amount of €25 million in 2016 and €4 million in 2015[xv].

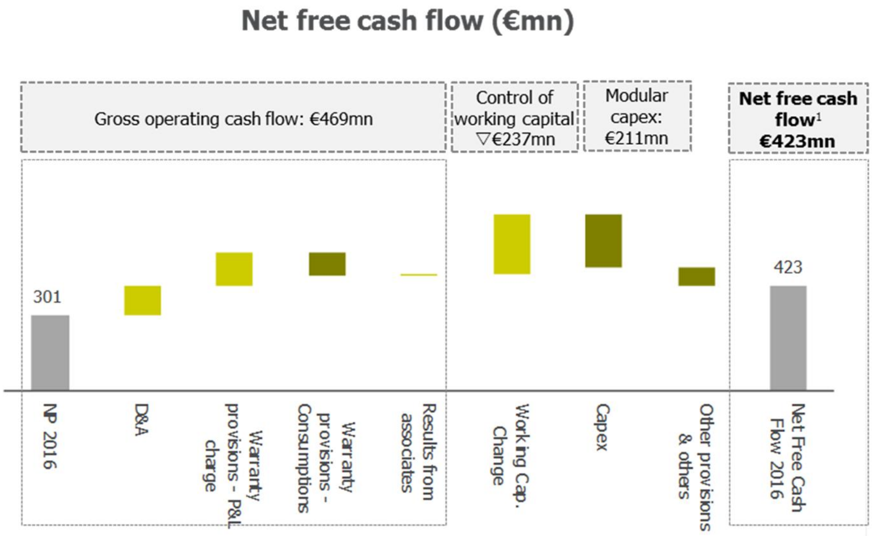
In this context of strong growth in activity and profitability, **Gamesa continues to exert strict control over working capital, which stood at -€225 million** at 2016 year-end, **equivalent to -4.9% of revenues, i.e. 5 percentage points lower than in 2015.** Average working capital has been reduced by €184 million in the last twelve months, to 1.7% of revenues, vs. 7.5% in 2015.





Applying a modular capex policy tailored to growth needs**, Gamesa invested €211 million** in 2016, i.e. 4.6%[xvi] of revenues LTM, in line with the guidance for the year (4%-5% of revenues). Investments in the year were focused on new products (blade moulds and construction elements, plus appropriate logistics) in the regions in which Gamesa operates.

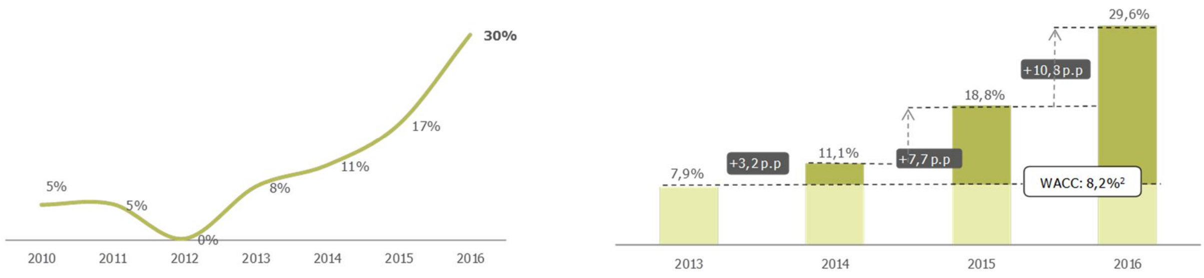
This control of capex and working capital in a context of profitable growth enabled **Gamesa to end 2016 with record net free cash flow — €423 million, i.e. 2.3 times the 2015 figure — and a net cash position of €682 million on the balance sheet,** in line with the **company's goal of achieving a sound financial position.**



1. Net cash pre-dividend

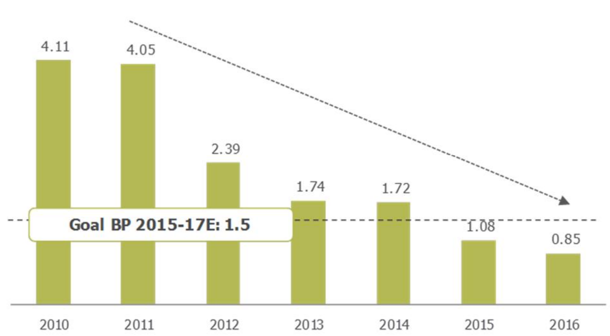
The combination of profitable growth and control of capex and working capital enables Gamesa to continue fulfilling its commitment to creating shareholder value, with a **ROCE of 30%**, 11 points more than in 2015.

ROCE[1]

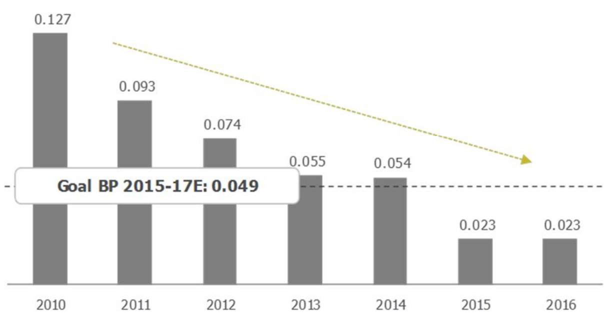


1. ROCE: LTM EBIT*(1-t)/average capital employed. Average capital employed is calculated as the arithmetic mean of capital employed between the beginning of the current year and the end of the period."t" is the estimated income tax rate for the current year (28% in 2016). Detailed performance measures' definitions can be found in the appendix of the earnings release.
2. Analysts' average WACC: 8,2%

In the context of fulfilling its guidance and steadily improving performance, Gamesa also met its goals in the area of workplace health and safety, continuing to improve accident frequency and severity indices ahead of the goals set for the end of the business plan.



¹ Frequency index: No. of accidents with days lost * 10^6/No. of hours worked



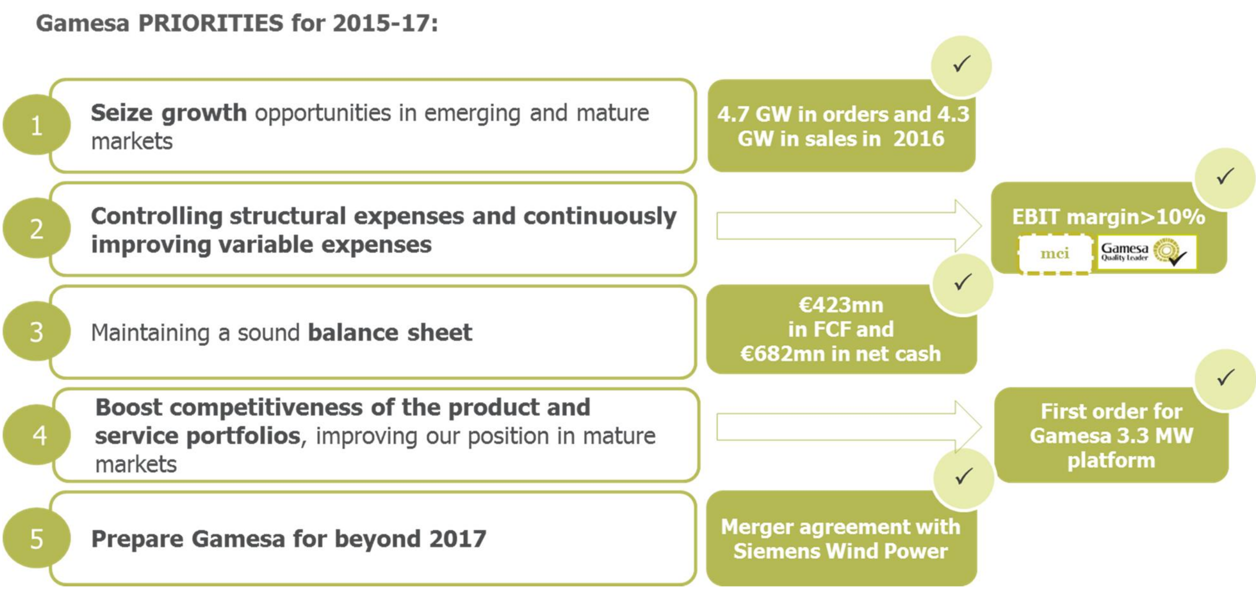
² Severity index: No. of days lost * 10^3/No. of hours worked

Accordingly, financial performance in 2016 exceeded the guidance, even after the latter had been upgraded twice during the year.

	Guidance 2016		Upgrade July 2016		Upgrade Nov. 2016	12M 2016	
Volume (MWe)	>3,800	↑	≥4,000	↑	≥4,300	4,332	✓✓
EBIT	> 400	↑	≥430	↑	450-470	477	✓✓
EBIT Margin	≥9.0%	↑	≥9.5%	↑	c.10.0%	10.4%	✓✓
Working cap. o/Sales	≤2.5%		=		=	-4.9%	✓✓
Capex o/ sales	4%-5%		=		=	4.6%	✓
ROCE	Growing y/y		=		=	30%	✓✓

In addition to surpassing its financial goals for the year, **during 2016 Gamesa made clear progress with implementing its long-term (2017+) strategy by reaching an agreement to merge with Siemens Wind Power**. This merger is underpinned by a sound, strategic rationale and will combine **two leading companies that are highly complementary** in terms of markets, businesses, customers, product portfolios and operational and management capabilities. The merged company will be in a position to offer optimal CoE to its customers and to maintain a value creation proposition for its other stakeholders (shareholders, employees, suppliers and the communities where it operates) that is sustainable over the medium and long term. The deal was presented to the financial markets in the second quarter of 2016 and **it was approved by Gamesa's shareholders at an extraordinary General Meeting on** 25 October**, with 99.75% of the capital in attendance voting in favour.** At the date of this report, the merger had been cleared by Spain's National Securities Market Commission and all the relevant competition authorities except that of the European Union.

Therefore, it can be concluded that**, in 2016, for the second time, Gamesa fulfilled the objectives of its business plan 2015-17 ahead of schedule**, since it exceeded the 2017 financial and strategic targets in 2016.



Main factors

Activity

In 2016, Gamesa sold 4,332 MWe, 36% more than in 2015. This trend was driven mainly by India, Latin America, Europe & RoW, and the US; the principal customer categories were electric utilities (54% of the total) and IPPs (35%).

	2015	2016	Chg.
WTG sold (MWe)	3,180	4,332	36,2%

Geographical breakdown of wind turbine sales (MWe) (%)	2015	2016
USA	11%	12%
APAC	15%	9%
India	29%	38%
Latin America	28%	24%
Europe and RoW	16%	17%
TOTAL	**100%**	**100%**

Activity in 2016 was concentrated in the Gamesa 2.0 MW segment, which accounted for 98% of total MW sold. The Gamesa G114 2.0 MW - 2.5 MW platform accounted for 55% of activity in the period, compared with 24% in 2015, evidencing the new platforms' growing importance. Gamesa 5.0 MW platform accounted for 1% of MWe sold in 2016.

In the services division, Gamesa had 24,311 MW under operation and maintenance, 16% more than at the end of 2015. Growth in the fleet under maintenance came mainly from emerging markets India and Brazil, which offset a decline in mature markets. The year end post-warranty fleet under maintenance increased by 10% year-on-year to 17 GW.

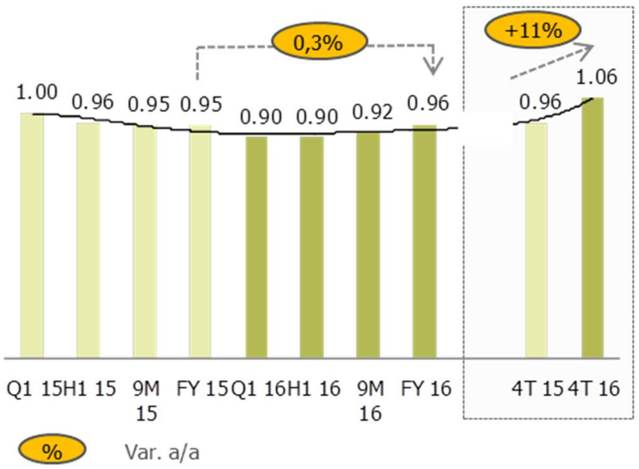
	2015	2016	Chg.
MW under operation and maintenance at end of period	20,973	24,311	15,9%

Profit & Loss

Revenues amounted to €4,612 million in 2016, 32% more than in 2015.

This growth was due primarily to sales in the WTG division, which grew by 37% y/y thanks to a 36% increase in activity volume with respect to 2015. As projected at the beginning of the year, average revenues per MWe manufactured were stable in year-on-year terms. Sales of newer products, with larger rotors and taller towers, offset the negative exchange rate effect, which reached 5% by year-end, mainly as a result of depreciation of most of the emerging market currencies in which Gamesa operates. The assembly business had a varying impact on average revenues: it was negative in the first half of the year, when there was very little assembly work, and positive in the second half, when assembly work recovered. Specifically, in the first half only 0.54 MW were assembled per MWe sold, whereas the figures matched in the same period of 2015; in contrast, during the second half of the year, assembly work amounted to 1.4 MW per MWe sold, contrasting with 1.1 MW in the same period of of 2015. Overall, 4,262 MW were assembled in 2016, a 27% increase year-on-year. In the WTG division, revenues per MWe sold are affected by many factors, including project scope, rotor size, tower height, geography, activity scope, gearbox, etc.; accordingly, this variable is not indicative of the level or trend of profitability.

WTG revenues/MWe (ASP[1] MM €)



1. ASP (€ MM): WTG revenues (€) in the period/MWe sold in the period

Service revenues were stable in year-on-year terms, amounting to €471 million, in line with projections for the year. That stability is a reflection of pressure on prices and a reduction in contract scope; these trends are normal in the services business in mature markets. To offset the negative impact of these trends, Gamesa has implemented an operational strategy to ensure absolute profitable growth in the services division, even in a situation of flat sales, as was the case in 2016. The plan is based on three main vectors: cost-cutting programmes, commercialisation of value-added services in mature markets, and signing longer contracts in emerging markets. Growth in the fleet under maintenance and the post-warranty fleet, an improvement of nearly 30 points in the renewal rate, from 40% in 2015 to 67% in 2016, and expansion of the order book assure a return to growth in sales in 2017, fulfilling the objectives for the division in the BP2015-17E: accumulated growth of ≥20% in revenues in 2014-17, and an EBIT margin of ≥13%. The fleet under maintenance increased by 16% y/y in the last twelve months, to 24,311 MW, while the post-warranty fleet expanded by 10% in the same period, to 16,827 MW. Fleet growth is concentrated mainly in emerging markets. In line with growth in the fleet under maintenance, the services backlog has also expanded, reaching €2,412 million at 2016 year-end, 11.5% more than a year earlier.

At constant exchange rates, Group revenues would have amounted to €4,818 million, i.e. 38% more than in 2015.

In addition to attaining record revenues and commercial activity in the year, Gamesa also posted record EBIT: €477 million. The EBIT margin was 10.4%, 1,1 points more than in 2015. EBIT performance is attributable to:

- capital gains from the creation of the joint venture Adwen amounting to a positive €29mn (-0,8 p.p)
- the volume effect (+2.4 p.p.)
- contribution margin performance (+0.7 p.p.)
- fixed cost performance (-1.1 p.p.),
- currency performance (0.0 p.p.)

The improvement in the contribution margin in 2016 is linked to variable cost optimisation programmes and the favourable project scope, offsetting the adverse impact of the increase in fixed expenses needed to support growth (this increase includes an increase in depreciation and amortization charges in line with the increase in capex), and the lower contribution by O&M to total revenues (10% in 2016, vs. 13% in 2015).

Net financial expenses in the period amounted to €23 million (€10 million less than in 2015), while exchange losses amounted to €15 million, compared with exchange losses of €11 million in 2015, due to currency volatility in both periods. Financial expenses in 2016 included a negative €7 million impact from the estimates of scenarios that remain open after Areva exercised its put option to sell its Adwen stake to Gamesa in the context of the merger with Siemens Wind Power.

The tax expense amounted to €124.4 million, equivalent to a marginal rate of 28%, in line with 2015 and within the guidance range for the year (25%±3%).

As a result, **consolidated net profit totalled €301 million (€170 million in 2015).**

The **impact of the integration of Adwen at 50% in the consolidated net profit (without any impact in free cash flow) amounted to -€25 million (-€4 million in 2015[xvii]).**

Balance sheet

As reflected by the main balance sheet indicators**, Gamesa maintained its commitment to a sound financial position in a context of rising activity, while reducing working capital by €237 million y/y to -€225 million at year-end, and achieving a net cash position of €682 million.**

	2015	2016
Working capital/Revenues	0.3%	-4.9%
ROCE	18.8%	29.6%

Consolidated Income Statement and Balance Sheet — Key Figures

(€ million)	**2015**	**2016**	**Chg.**
Revenues	3,504	4,612	*+31.6%*
EBIT	323	477	*+47.9%*
EBIT/Revenues (%)	9.2%	10.4%	*+1.1pp*
Profit (Loss)	170	301	*+77.0%*
NFD (Cash)	-301	-682	*-381*
Working capital	12	-225	*-237*
Capex	168	211	*+43*

In 2016, in line with the modular capex strategy presented in the business plan 2015-17, Gamesa invested €211 million in property, plant and equipment and intangible assets to cater for expected demand growth, new product launches and operation and maintenance services. In addition to R&D expenditure, Gamesa invested in logistics, tooling, and blade capacity — both new capacity and product replacement due to the introduction and strong penetration by the G114 (2 MW and 2.5 MW) and G126 (2.5 MW) generators — in all regions where it operates.

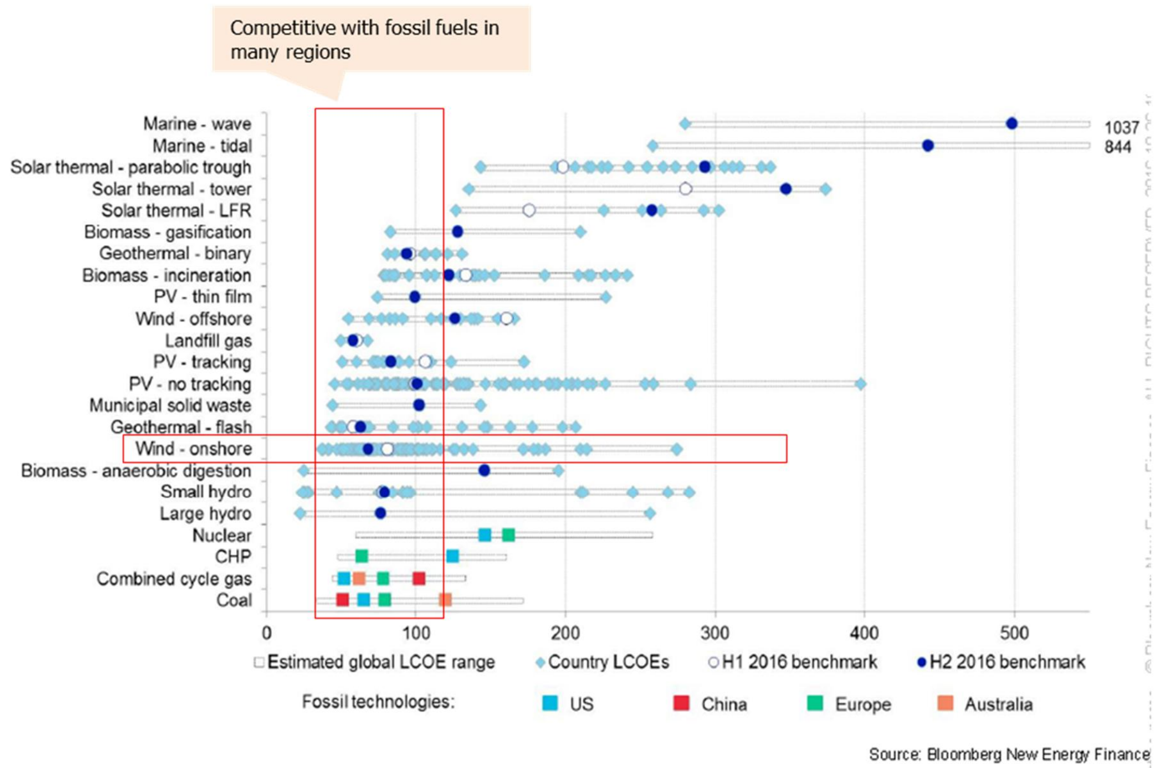
2. FORECASTED EVOLUTION

Positive demand prospects in the short and medium term[xviii]

The growing number of countries that are committed to renewable energies as a means of combating climate change, and the increasing competitiveness of renewable energy sources, including wind, lay the foundations for strong demand prospects in the short, medium and long term.

The growing support for renewable energy sources was clearly reflected in the speed with which the Paris Agreement, signed by 195 countries on 12 December 2015, came into force (4 November 2016), while wind power's increasing competitiveness was evident during 2016 in the outcome of many electricity auctions in both emerging and mature countries. Those auctions show that wind energy is competitive with conventional sources in many regions (see chart below).

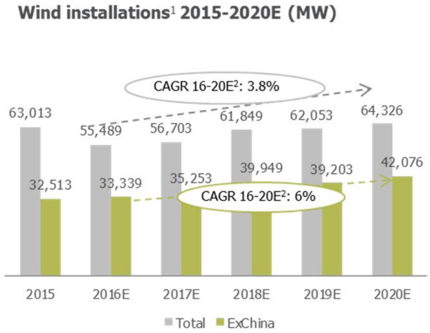
LCOE prospects H2 16 (Source: Bloomberg New Energy Finance (BNEF). USD/MWh)



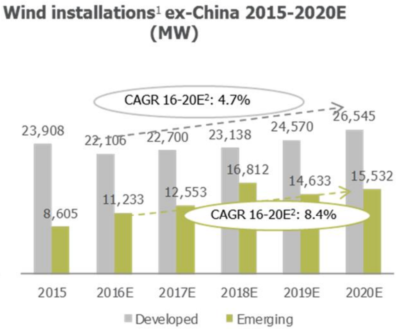
In terms of competitiveness[xix], **by 2027 it is estimated that new wind installations, which are already fully competitive in many countries, will be cheaper than coal- or gas-fired facilities in practically all geographies**, particularly if CO2 emission pricing is introduced, while **by 2040 the cost of energy for onshore wind will have declined by 41%**. That reduction will be due to a number of factors: falling equipment and development costs, low funding costs and, primarily, an increase in wind turbines' capacity factor.

In this context of growing governmental support and wind's greater competitiveness, long-term estimates[xx] **are** that, **by 2040, "clean" (i.e. zero GHG) energy sources will account for 60% of total installed capacity**, up from 31% at the end of 2015, most of the new installed capacity being concentrated in developing (non-OECD) countries, with China and India accounting for the bulk of new installed capacity. In those countries, economic growth and electrification are the main drivers of growth in energy demand and investment in new generating capacity. In the period 2016E-2040E, it is estimated that **1,825 GW of wind capacity will be installed, i.e. investment totalling 3 trillion**.

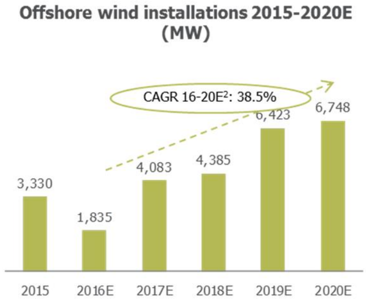
In the shorter term, and following the slight contraction in the pace of new wind installations worldwide (ex-China) in 2016, the short- and medium-term prospects are stable with respect to the projections released during the year, with emerging economies and offshore as the main growth engines. Emerging markets are expected to achieve an estimated 8.4% annual growth between 2016E and 2020E, while offshore will be the absolute leader in terms of expected annual growth: over 38% between 2016E and 2020E, with northern European countries (mainly Germany and the UK) and China to the fore.



Source: BNEF and MAKE Q4 2016: GWEC 2015 figures



Source: BNEF and MAKE Q4 2016: GWEC 2015 figures



Source: BNEF and MAKE Q4 2016: GWEC 2015 figures

1. Includes onshore and offshore installations.
2. Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of publication of their reports, not on installations reported by GWEC on February 10. Based on GWEC reported numbers, installations in 2016 totalled 54.6 GW (31.3 GW ex- China). Outside China, 22.8 GW were installed in mature markets and 8.4 GW in emerging markets. Growth in mature markets includes growth coming from the offshore segment, which is concentrated mainly in Europe and China.

2017 Guidance[xxi]: commitment to profitable growth

In this favourable demand context, Gamesa maintains its commitment to profitable growth in 2017, the goal being to sell around 5,000 MW of wind turbines and achieve €550 million in group EBIT (a 15% increase over the 2016 figures in both cases).

The sales volume commitment is supported by the order book at 31 December 2016, which already covered 63%[xxii] of the committed volume. Though growth is expected in most regions, it will be led by the US and APAC, while India will continue to be the market with the largest single contribution to the company's top line in 2017.

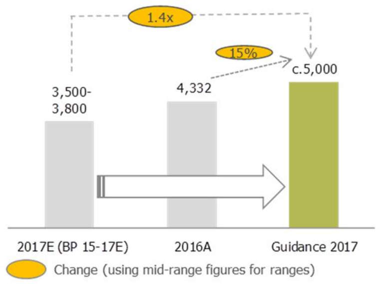
As well as growth by the Wind Turbine division, Gamesa maintains its commitment to the business plan for the Services unit, which is expected to resume revenue growth in 2017. This is already visible in the order backlog, which rose by 11% y/y, and in the recovery in the fleet under maintenance in 2016.

The commitment to increase operating profit to c. €550 million is supported by rising sales volumes, ongoing programmes to optimise variable costs, and strict control of structural costs, to offset pressure from a more competitive environment.

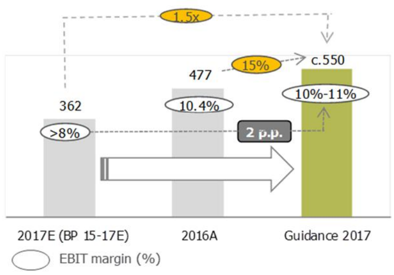
To achieve its projected growth, Gamesa maintains its modular capex strategy, the goal being for capex to be stable with respect to 2016 in relative terms: 4%-5% of revenues. The company also maintains its commitment to a sound balance sheet through strict control of working capital and upgrading previous years' targets so that working capital is about 0% of revenues. .

These objectives represent a 40-50% increase in the targets for sales and absolute EBIT with respect to the initial projections for this year in the BP2015-17.

Gamesa standalone: sales volume and guidance¹ (MWe)



Gamesa standalone: EBIT and EBIT margin performance and guidance¹ (€mn/%)



Gamesa Standalone: 2017 guidance	
Sales (MWe)	c. 5,000
EBIT (MM €)	c. 550
EBIT margin	10%-11%
Capex o/sales	4%-5%
Working Cap. o/sales	c.0%

1. At Jan-Feb. 17 average foreign currency exchange rates and using the same consolidation scope (i.e. with Adwen as equity-accounted)

Progress with the long-term value-creation strategy: Gamesa - Siemens Wind Power merger

Having secured its most immediate value-creation goals through its performance in 2016 and its commitments for 2017, Gamesa continues to advance with its strategy to create value beyond the current year and the business plan 2015-2017E, through the agreement to merge with Siemens Wind Power. The merger has already been approved by Gamesa's shareholders, Spain's National Securities Market Commission and several other competition authorities; at the date of this report, the only approval still pending was that of the European Union competition authorities, which is expected in the first quarter of 2017.

As a pre-requisite for completing the merger, Gamesa purchased Areva's 50% stake in Adwen, a subsidiary operating in the offshore segment. The acquisition was completed in January 2017, and Adwen will be fully consolidated by the merged company. Adwen has 630 MW in offshore wind farms under maintenance and is currently building a 350 MW wind farm in Germany (Wikinger). The company also has two product lines in the 5 MW and 8 MW categories (the latter under development), and a backlog of 1.5 GW in projects under the French auctions. Adwen obtained €248 million in revenues in 2016 and reported an operating loss of -€41 million, attributable to its current stage of development. At 31 December 2016, Adwen had €251 million in net debt and owed €238 million in loans to Areva.

TENTATIVE CALENDAR

Siemens Wind Power carve out commences	Immediately after signing	✓
Gamesa Shareholders' Meeting[1]	Oct. 2016	✓
Authorisation by CNMV	Q4 16	✓
Competition authorities' authorisation[2]	Q1 17	
Merger effective date	Q2 2017	
Payment of the cash component	12 business days after the merger[4]	

1. At the special Shareholders' Meeting, 99.75% of capital in attendance voted in favour.
2. At the date of this presentation, pending only EU approval.
3. The dividend will be paid within 12 business days after the effective date of the merger (EDM) to natural and legal persons who: (i) were shareholders of record of Gamesa with Iberclear at the end of the fifth stock market session following the EDM, and (ii) hold shares that were outstanding on the day before the EDM.

The merger agreement will create value for all stakeholders, not just by reaping synergies but also due to the enhanced competitive position in a changing market in which the cost of energy is increasingly important. The merged group will be larger, with a greater scope and more diverse, a stronger balance sheet and a more comprehensive product portfolio.

Conclusions

In a situation of stable demand, Gamesa reported strong earnings in 2016, with record order intake, revenues and profitability, exceeding its guidance for 2016 even after upgrading it on two occasions during the year.

The company's sound competitive position enabled it to end the year with **21% year-on-year growth in order intake, to 4,687 MW**, exceeding its guidance of 4 GW for the year, after signing 1,386 MW in orders in the fourth quarter, 33% more than in the same period of 2015. This growth was accompanied by a sizeable increase in geographical diversification. The **order backlog at the end of December 2016 stood at 3,552 MW, 11% more than a year earlier, which provides a high level of visibility on the growth targets for 2017.**

Revenues amounted to €4,612 million, 32% more than in 2015, or 38% more at constant exchange rates[xxiii]. This increase was driven by higher sales volume in the Wind Turbine division (+36%) due to its strong competitive position and presence in geographies where the wind market is expanding faster than the global average. As a result, **Gamesa installed 4,262 MW, 27% more than in 2015, in a context of a slight decline in worldwide installations excluding China, reaching number 4 position in the global wind ranking published by Bloomberg New Energy Finance.**

In addition to increasing sales, Gamesa also enhanced profitability in 2016. **EBIT amounted to €477 million,** 48% more than in 2015, and the **EBIT margin was 10.4%, 1.1 percentage points more than in 2015. Net profit increased 1.8-fold to €301 million.**

In this context of strong growth of activity and revenues, Gamesa continues to prioritise a sound balance sheet by controlling both working capital and capex. Gamesa reduced working capital by €237 million year-on-year and improved the working capital/revenues ratio by over 5 percentage points, to -4.9%. This reduction in working capital, together with greater operating cash flow and capex planning tied to actual growth, **enabled Gamesa to end 2016 with €423 million in net free cash flow, 2.3 times the 2015 figure, and a net cash position of €682 million.**

The company is also making significant progress with its long-term strategy, which includes the merger with Siemens Wind Power, expected to be completed in the first quarter or beginning of the second quarter of 2017. At the date of this report, the merger had been approved by Gamesa's shareholders and cleared by Spain's National Securities Market Commission and it was only pending approval by the European Union competition authorities. **With this agreement, Gamesa enhances the visibility and sustainability of its value creation proposal to all its stakeholders for the medium and long term.**

As a result, Gamesa ended 2016 having achieved its goals one year ahead of schedule — not only its financial targets but also the strategic objectives set out in its business plan 2015-17.

Gamesa also maintains its commitment to profitable growth in 2017 with a plan to achieve double-digit growth — around 15% — with respect to 2016[xxiv] in both sales volume (MWe) and operating profit (EBIT).

3. MAIN BUSINESS RISKS

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

The risk associated with changes in exchange rates assumed for GAMESA's transactions involve the purchase and sale of products and services relating to its activity that are denominated in various currencies.

In order to mitigate this risk, GAMESA has obtained financial hedging instruments from financial institutions.

4. USE OF FINANCIAL INSTRUMENTS

Gamesa Group uses financial hedges which allow the Group to mitigate risks involving exchange rates, interest rates, and equity volatility that could affect the Group estimated results based on estimates of expected transactions in its various areas of activity.

5. SUBSEQUENT EVENTS

See Note 38 of the Consolidated Financial Statements and Note 22 of the Individual Financial Statements.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

Technological development is established within a multi-year framework that is rolled out in the Annual Technological Development Plan, where activities and deliverables are established for each year, and to which a budget is finally assigned.

In 2016, the main increase in the the section "Research development costs" of the Intangible Assets was due to the development of Gamesa Innovation and Technology, S.L. of new wind turbine models and to the optimisation of the performance of their components amounting, in total for the entire Group, approximately €54,669 thousands (approximately €44,234 thousands in 2015).

7. TREASURY SHARE OPERATIONS

At December 31, 2016 Gamesa holds a total of 2,365,265 treasury shares representing 0.847% of share capital.

The total cost for these treasury shares amounts €46,897 thousands, each with a par value of €19,828.

A more detailed explanation of transactions involving treasury shares is set out in Note 18.E of the Notes to the Consolidated Financial Statements at December 31, 2016.

8. CAPITAL STRUCTURE

CAPITAL STRUCTURE, INCLUDING SECURITIES TRADED ON A COMMUNITY REGULATED MARKET, INDICATING, WHERE APPROPRIATE, THE DIFFERENT NATURE OF SHARES AND FOR EACH TYPE OF SHARES, THE RIGHTS AND OBLIGATIONS GRANTED AND PERCENTAGE OF CAPITAL REPRESENTED:

In accordance with Article 7 of the By-laws of Gamesa Corporación Tecnológica, S.A., in the wording approved on May 8, 2015 *"The share capital is FOURTY SEVEN MILLION FOUR HUNDRED SEVENTY FIVE THOUSAND SIX HUNDRED NINETY THREE EUROS AND SEVENTY-NINE CENTS (€47,475,693.79), represented by 279,268,787 ordinary shares of seventeen cents nominal value each, numbered consecutively from 1 to 279,268,787, comprising a single class and series, which are fully subscribed and paid."*

SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information in the possession of GAMESA CORPORACION TECNOLOGICA, S.A. the capital structure at December 31, 2016 is as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Number of voting rights related to the execution of financial instruments	% total voting rights
IBERDROLA, S.A.	-	54,977,288	-	19.686%
NORGES BANK	8,958,027	-	-	3.208%
OZ MASTER FUND LTD	-	-	2.041%	2.041%
FIDELITY INTERNATIONAL LIMITED	-	2,967,105	-	1.062%

(*) Through:

Name of direct holder of the stake	Number of direct voting rights	% total voting rights
IBERDROLA PARTICIPACIONES, S.A.UNIPERSONAL	54,977,288	19.686%

9. RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer of shares.

10. SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

See point 8.

11. RESTRICTIONS ON VOTING RIGHTS

There are no restrictions of any kind on voting rights.

12. SHAREHOLDER AGREEMENTS

In fulfilment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2, IBERDROLA, S.A. informed Gamesa Corporación Tecnológica, S.A. on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA, S.A. and Iberdrola Participaciones, S.A. (Sociedad Unipersonal), as shareholders (non-direct and direct, respectively) of Gamesa Corporación Tecnológica, S.A., on one hand, and Siemens AG, on the other hand. The content of the signed contract refers (i) to Gamesa in the context of a merging process of the wind energy businesses of Gamesa and Siemens AG (the “Merger”); and (ii) to the relationships as future shareholders of Gamesa after the Merger (the “Shareholders' agreement”).

The Shareholders' agreement includes agreements which qualify it as a shareholder agreement in accordance with the terms of the Article 530 of the Corporate Entrepises Act, even though the effectiveness of some of those agreements are subjected to the achievement of the Merger.

13. REGULATIONS APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND AMENDMENT OF THE CORPORATE BY LAWS

Pursuant to the provisions of article 30 of the Gamesa CORPORACIÓN TECNOLÓGICA, S.A. Corporate By-laws, members of the Board of Directors are *"appointed by the General Meeting"* and *"should a vacancy arise during the term of office of a Director, the Board may appoint a shareholder to fill the vacancy until the first General Meeting is held",* always in compliance with the provisions of the Spanish Capital Companies Act and the Corporate By-laws.

In accordance with the Article 13.2 of the Board of Directors Regulations candidatures for the office of Director submitted by the Board of Directors for deliberation by the Shareholders General Meeting and the appointment decisions made by the said body pursuant to the interim powers conferred by law on the said body shall be preceded by the corresponding proposal by a) the Appointments and Remuneration Committee in the case of independent Directors, or b) by a report by the said Committee in the case of all other categories of Directors. Article 13.3 of the Board of Directors Regulations provides that *"where the Board of Directors should reject the proposal or the report of the Appointments and Remuneration Committee, it must state its reasons for this and record the said reasons in the minutes."*

Article 14 of the said Regulations provides that *"the Board of Directors and the Appointments and Remuneration Committee, within the scope of their powers, shall seek to ensure that the proposal and election of candidates corresponds to persons of renowned respectability, solvency, competence, and experience.*

In the case of Directors which are legal persons, the natural person who is to represent them in the exercise of the powers associated with the office of Director shall be subject to the same requirements of the prior pharagraph."

Finally, article 7.4 of the Appointments and Remuneration Committee Regulations makes it the responsibility of that *"to ensure that when filling vacancies on the Board of Directors, the selection procedures used are not subject to any implicit bias resulting in any discrimination of any kind.*"

With regard to the re-election of Directors, article 15 of the Board of Directors Regulations provides that *"any proposals for the re-election of Directors that the Board of Directors may decide to submit to the Shareholders General Meeting must be subject to a formal evaluation process under the terms provided by law. The agreement of the Board of Directors of summiting the re-election of directors to the Shareholder General Meeting shall necessarily include a proposal or report issued by the Appointments and Remuneration Committee, while the one of the remain directors should have a prior favourable report by such Committee.*

The Directors that form part of the Appointments and Remunerations Committee must abstain from being involved with any deliberations and votes that involve themselves.

The re-election of a Director that takes part in a Committee or that practices and internal position in the Board of Directors or in any of its committees will determine its continuation in such position without the necessity of an express re-election and that does not affect the revocation power that corresponds to the Board of Directors."

The dismissal of Directors is governed by article 16 of the Board of Directors Regulations, which provides that *"Directors shall cease to hold office upon the expiry of the term for which they were appointed without prejudice to the possibility of being re-elected, and upon a decision in this regard taken by the Shareholders General Meeting on the mention of the Board of Directors or of the shareholders in accordance with the terms provided by law."*

The procedures and circumstances with regard to the dismissal shall be those laid down in the Spanish Capital Companies Act and in the Commercial Registry Regulations.

Pursuant to the provisions of Article 16.2 of the Board of Directors Regulations, *"Directors shall tender their resignation to the Board of Directors, and where the Board should consider it appropriate, shall step down-following a report by the Appointments and Remuneration Committee-in the following circumstances:*

a) In the case of Proprietary Directors where said Directors or the shareholders they represent should cease to hold a significant and stable shareholding in the Company, or where they said shareholders should revoke the representation conferred on the Director.

b) In the case of executive Directors, when they cease the executive positions to which its appointment as Director is associated, and in any case, where the Board of Directors should consider this appropriate.

c) In the case of non-executive Directors, where they should join the executive line of the Company or any of the Group companies.

d) Where, for supervene in reason, they incur in any of the circumstances of disqualification or prohibition envisaged in the current regulations, in the Corporate By-laws, or in these Regulations.

e) Where they are charged with an alleged criminal offense, or are served with notice that they are to be tried for any of the offenses listed in the provisions relating to disqualification from holding the office of director envisaged in the Spanish Capital Companies Act, or are the subject of disciplinary proceedings for a serious or very serious offense commenced by the regulatory authorities

f) Where they should receive a serious reprimand from the Board of Directors, or should be punished for a serious or very serious offense by a public authority, for having infringed their duties as Directors.

g) When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed no longer exist.

h) Where, for reasons attributable to the Directors in their capacity as such, serious harm has been caused to the Company's standing, or they should lose the commercial and special respectability necessary in order to be a Director of the Company."

In accordance with points 3,4 and 5 of the quoted article *"in any of the indicated events in the prior section, the Board of Directors will require the Director to cease from its position and where appropriate, will propose its resignations to the General Meeting. As an exception, it will not be applicable the aforementioned in the resignations cases determined in the letters a), d), f) y g) when the Board of Directors estimates that are causes that justify the permanency of the Director, without prejudice to the effect that the new supervening circumstances may have on its mark.*

The Board of Directors will only be able to propose the resignation of an independent Director before the course of his mandate when it ends until fair cause, considered by the Board of Directors, on the motion of the Appointments and Remunerations Committee. Particularly, for having break the inherent duties of its positions or for having incurred in any circumstance provided in the law as incompatible for the entrance to that category.

The Directors that may resign from their position before the termination of their duty should send a letter to all the members of the Board of Directors explaining the reasons of the resignations".

Rules applicable to the amendment of the Corporate By-laws

The amendment of the Gamesa Corporación Tecnológica, S.A. Corporate By-laws is governed by the provisions of Articles 285 to 290 of the Spanish Capital Companies Act, approved by Royal Legislative Decree 1/2010 of July 2 (the "Capital Companies Act").

Additionally, the modification of the By-laws is governed by the provisions considered in the By-Laws and in the Shareholder General Meeting Regulations of the Company.

In this regard, about its modification, Articles 14. h) of the By-Laws and 6.1 h) of the Shareholder General Meeting Regulations claim that that corresponds to the Shareholder General Meeting of Gamesa.

Likewise, articles 18 of the By-Laws and 26 of the Shareholder General Meeting Regulations include quorum requirements for the adoption of agreements by the Shareholder General Meeting. On the other hand, Articles 26 of By-Laws and 32 of the Shareholder General Meeting Regulations consider the necessary majorities for these effects.

Furthermore, article 31.4 of Shareholder Regulations indicates that the Board of Directors according to what is provided by law will prepare proposals for different resolutions for those matters that are substantially independent, so that shareholders may separately exercise their voting preferences. This rule is particularly applicable in the case of amendments to the By-laws, with votes taken on all articles or groups of articles that are materially independent.

Finally, in accordance with Article 518 of the Spanish Companies Act upon the calling of the General Meeting, at which the amendment of the By-laws will be proposed, the Company's website will include the complete text of the proposed resolution and the reports from the competent bodies.

14. POWERS OF ATTORNEY OF THE MEMBERS OF THE BOARD OF DIRECTORS AND, IN PARTICULAR, THOSE RELATING TO THE POSSIBILITY OF ISSUING OR REPURCHASING SHARES

Power-of-attorney granted to Members of the Board of Directors

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the meeting held on June 22, 2016, unanimously agreed, following a favourable report by the Appointments and Remuneration Committee to appoint Mr. Ignacio Martín San Vicente as Executive Chairman of the Board of Directors and Managing Director, delegating all powers corresponding to the Board of Directors pursuant to law and to the Corporate By-laws to him, with the exception of those that may not be delegated pursuant to law or to the Corporate By-laws. Mr. Martín San Vicente accepted his appointment at the same act.

Powers relating to the possibility of issuing or repurchasing shares

At the date of the approval of this Report, the authorization granted by the Annual General Meeting held on May 8, 2015 remains in force, pursuant to which the Board of Directors has powers to acquire treasury shares. There follows below a verbatim transcription of the resolution approved by the Meeting under item 9 of the Agenda.

"To expressly authorize the Board of Directors, with express powers of substitution, pursuant to the provisions of article 146 of the Spanish Companies Act, to proceed to the derivative acquisition of shares in Gamesa Corporación Tecnológica, Sociedad Anónima, subject to the following conditions:

a. - Acquisitions may be made directly by Gamesa, or indirectly through its controlled companies.

b.- Acquisitions of shares shall be made through sale and purchase transactions, exchanges, or any other method allowed by law.

c. - Acquisitions may be made, at any time, up to the maximum figure allowed by law.

d. - The minimum price for the shares will be their par value and the maximum price may not exceed 110% of their listed price on the date of acquisition.

e. - The shares acquired may be subsequently disposed of under such conditions as may be freely agreed.

f. - This authorization is granted for a maximum term of 5 years, and expressly renders of no effect the authorization granted by the Company's Annual General Meeting on May 28, 2010, in that part left to run.

g.- As a consequence of shares acquisition, including those that the Company or the person that acts on its self but on behalf of the Company may have acquired priory or have had treasury shares, the resulted equity will not be lower than the amount of the sum of the share capital plus the legal and unavailable statutory reserves, all under what is provided in letter b) of the Article 146.1 of the Spanish Companies Act.

Finally and in relation with the provision of the last paragraph of article 146.1.a) of the Spanish Companies Act, it is stated that the shares acquired pursuant to this authorization may be used by the Directors of the Company, either directly or as a result of the exercise of option rights or any other rights envisaged in the Incentive Plans of which they are the holders and/or beneficiaries pursuant to the provisions laid down by law, the by-laws, or the regulations."

15. SIGNIFICANT AGREEMENTS ENTERED INTO BY THE COMPANY AND WHICH COME INTO FORCE, ARE AMENDED, OR COME TO AN END IN THE EVENT OF A CHANGE OF CONTROL AT THE COMPANY AS A RESULT OF A TAKEOVER BID, AND THE EFFECTS THEREOF, EXCEPT WHERE THE DISCLOSURE THEREOF SHOULD BE SERIOUSLY PREJUDICIAL TO THE COMPANY. THIS EXCEPTION SHALL NOT APPLY WHERE THE COMPANY SHOULD BE UNDER A STATUTORY DUTY TO MAKE THIS INFORMATION PUBLIC.

Pursuant to the framework agreement dated December 21, 2011 (Relevant Event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L. Unipersonal, in the event of any change in control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. would allow IBERDROLA, S.A. to terminate the framework agreement without the parties having any claim against such termination.

Also in accordance with the Joint Venture agreement signed as of July 7, 2014 (Relevant Event number 208151) and of March 9, 2015 (Relevant Event number 219885) between AREVA, SA and GAMESA CORPORACIÓN TECNOLÓGICA, S.A., among other companies within their respective groups, the eventual change in control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. in favor of a competitor would authorize the parties to the AREVA group to terminate the agreement, a situation that could lead to the sale of AREVA's participation held by GAMESA in the Joint Venture or, ultimately, to the dissolution and liquidation of that company Joint Venture.

Finally, on December 17, 2015, Gamesa Energía, S.A.U. (as buyer) and GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. y FUNDACION TECNALIA RESEARCH & INNOVATION (as sellers) signed a Purchase-sale Agreement of social Shares which is subject to a condition precedent that regulates the acquisition of 50% of NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L. (NEM). The Condition Precedent consists of the authorization of the NATIONAL SECURITIES MARKET COMMISSION AND OF THE COMPETITION BOARD determined in the Article 7.1.c) of 15/2007 Law, of July 3, of The Commission of Protection of Competition. On the same date, and with aim of regulating the relations between Gamesa Energía and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as potential partners of NEM (in his case) the parties signed a Partner Agreement. According to the regulations gathered in the Partner Agreement, in the event of a change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A., Gamesa Energía, S.A.U. should offer to the rest of partners the direct acquisition of their shares in NEM.

16. ANY AGREEMENTS BETWEEN THE COMPANY AND ITS BOARD MEMBERS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THEY RESIGN OR ARE MADE REDUNDANT WITHOUT VALID REASON OR IF THEIR EMPLOYMENT CEASES BECAUSE OF A TAKEOVER BID.

The Chairman and CEO and some of the members of the executive team at the Company have contractual agreements to receive financial compensation in the event of termination for reasons attributable to the Company and, in some cases, due to the occurrence of objective circumstances, such as a change in control. The financial compensation agreed for such termination consists, in general, of the payment of compensation up to a maximum of two years' salary, depending on personal and professional circumstances and the time at which the agreement was concluded.

In general with regard to non-managerial employees, in the event of the termination of their employment relationship, their contracts do not clearly consider financial compensation other than as required by current legislation.

[i] Gamesa Corporación Tecnológica engages in wind turbine manufacture, which includes the development, construction and sale of wind farms, as well as O&M services.
[ii] Includes 731 MW signed in Q4 16 and announced in Q1 17.
[iii] Coverage calculated as the ratio between firm orders at 2016 year-end and projected 2017 sales (5,000 MWe). Coverage of 63% in 2016 is calculated in terms of orders at 2015 year-end with respect to 2016 sales (4,332 MWe).
[iv] Ratio of working capital to revenues in the last twelve months.
[v] Net financial debt means interest-bearing debt, including subsidised loans, derivatives and other current financial liabilities, less other current financial assets and cash.
[vi] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q4 2016 (731 MW) that were announced individually in Q1 2017.
[vii] Data published by the Global Wind Energy Council (GWEC) on 10 February 2016 and 2017, respectively.
[viii] According to GWEC preliminary figures published on 10 February, 54,600 MW were installed in 2016, of which 23,328 MW in China and 31,272 MW in the rest of the world. According to GWEC figures published on 10 February 2016, a total of 63,013 MW were installed worldwide in 2015, of which 30,500 MW in China and 32,513 MW in the rest of the world.
[ix] Bloomberg New Energy Finance global ranking, including onshore and offshore, published on February 22, 2017.
[x] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years.Includes firm orders signed in Q4 2016 (731 MW) that were published individually in Q1 2017.
[xi] Book-to-bill ratio in the quarter.
[xii] Book-to-bill ratio in the last twelve months.
[xiii] Coverage calculated as orders received for activity in 2017 with respect to the activity guidance for 2017 (c. 5,000 MWe).
[xiv] Fixed expenses with a cash impact, excluding depreciation and amortisation.
[xv] The impact of Adwen on the net profit of 2015 is made up of two impacts: capital gains from the creation of the joint venture which amounted to €29 million, €21 million net of taxes, and operating losses wich amounted to €26 million.
[xvi] Capex LTM/sales LTM.
[xvii] The impact of Adwen on the net profit of 2015 is made up of two impacts: capital gains from the creation of the joint venture which amounted to €29 million, €21 million net of taxes, and operating losses wich amounted to €26 million.
[xviii] Source: GWEC 2015, MAKE and BNEF (Q4 2016 - Global Wind Power Market Outlook Update)
[xix] Bloomberg New Energy Finance: “H2 2016 Global LCOE Outlook”, October 2016; “New Energy Outlook 2016”, June 2016
[xx] Bloomberg New Energy Finance: “H2 2016 Global LCOE Outlook”, October 2016; “New Energy Outlook 2016”, June 2016
[xxi] Guidance for 2017 fiscal year for Gamesa “standalone”/pre-merger, excluding expenses strictly derived from the merger, at average exchange rate of Janueary-February 2017 and with the same consolidation perimeter (i.e. recognizing Adwen at equity method).
[xxii] Coverage of sales volume calculated as firm orders received for current year at 2016 year-end with respect to the volume guidance for 2017 (c. 5,000 MWe).
[xxiii] At constant 2015 average exchange rates.
[xxivxxivxxivxxivxxiv] Guidance for 2017 fiscal year for Gamesa “standalone”/pre-merger, excluding expenses strictly derived from the merger, at average exchange rate of Janueary-February 2017 and with the same consolidation perimeter (i.e. recognizing Adwen at equity method).

ANNEX

Alternative Performance Metrics

Gamesa's financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Metrics (APM). The APM are considered to be "adjusted" magnitudes with respect to those presented in accordance with EU-IFRS and, consequently, the reader should view them as supplementary to, but not replacements for, the latter.

The APM are important for users of the financial information since they are the metrics used by Gamesa Management to assess financial performance, cash flows and the financial position for the purposes of the Group's financial, operational and strategic decisions.

The APM contained in Gamesa's financial disclosures that cannot be directly reconciled with them are as follows:

1. Return on capital employed – ROCE

This APM is used by Gamesa management to assess the ability of operational assets to generate profits; it is a measure of the profitability and efficiency of invested capital (equity plus debt).

ROCE is calculated as:

$$\boldsymbol{ROCE} = \frac{EBIT \times (1-t)}{\overline{CE}}$$

Where $\boldsymbol{t}$ is the rate of corporate income tax and $\overline{\boldsymbol{CE}}$ is the average capital employed in the period. Capital employed measures the capital invested in the group (equity plus debt) and is calculated as Total Equity + Net Financial Debt [NFD, defined below]. Average capital employed is calculated as the arithmetic mean of capital employed at the beginning of the current year and capital employed at the end of the period. ROCE is calculated for 12-month periods: for interim periods that do not coincide with a full accounting year, EBIT in the last twelve months is used.

The tax rate used is 28.3% in 2016 (28% in 2015), in accordance with the latest estimates of the average tax rate in the year.

	Million euro	
	2016	**2015**
EBIT in the last 12 months (LTM)	477	323
(1-t)	0.717	0.720
I. EBIT LTM after taxes	**342**	**232**
Beginning total equity	1,527	1,385
Beginning NFD	(301)	(143)
II. Beginning capital employed	**1,226**	**1,242**
Ending total net equity	1,765	1,527
Final net financial debt	(682)	(301)
III: Ending capital employed	**1,083**	**1,226**
IV.= ((II+III)/2), Average capital employed	**1,155**	**1,234**
I / VI. ROCE	**29.62%**	**18.80%**

2. Net financial debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings, including subsidised loans (repayable advances), derivative instruments and other current and non-current financial liabilities, less cash and cash equivalents and the value of short-term financial investments.

Net Financial Debt is the main APM used by Gamesa management to measure the Group's indebtedness and leverage (when compared with Capital Employed).

	Million euro (*)					
	31.12.2016			31.12.2015		
Financial statements line-item:	Financial Statements	Adjustments	NFD	Financial Statements	Adjustments	NFD
Derivative financial instruments (non-current assets)	0	-	0	8	-	8
Derivative financial instruments (current assets)	12	-	12	10	-	10
Other current financial assets	21	-	21	17	-	17
Other current financial assets, related companies	10	-	10	8	-	8
Cash and cash equivalents	1,295	-	1,295	869	-	869
Financial debt (non-current liabilities)	(425)	-	(425)	(445)	-	(445)
Derivative financial instruments (non-current liabilities)	(7)	-	(7)	(4)	-	(4)
Other liabilities (non-current)	(38)	8 (1)	(30)	(44)	13 (1)	(31)
Financial debt (current liabilities)	(120)	-	(120)	(103)	-	(103)
Derivative financial instruments (current liabilities)	(60)	-	(60)	(4)	-	(4)
Other current liabilities	(121)	107 (2)	(14)	(102)	80 (2)	(23)
Net Financial Debt (positive: net cash / negative: net debt)			682			301

(1) The adjustment correspond to the elimination of liabilities with personnel amounting to €5.2 million at 31 December 2016 and other long term liabilities amounting to €2.8 million. At 31 December 2015, the adjustments were for elimination of liabilities to personnel amounting to €7 million, plus other liabilities related to associated companies amounting to €6 million.

(2) The adjustments relate to the elimination of items classified as working capital amounting to €107 million at 31 December 2016 (€80 million at 31 December 2015) (see Working Capital).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

3. Working capital (WC)

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

Working Capital reflects the part of Capital Employed that is invested in net operating assets. Gamesa management uses this metric in managing and making decisions with respect to the business's cash conversion cycle, particularly in managing inventory, trade accounts receivable and trade accounts payable. Effective management of working capital involves achieving an optimal amount of working capital without jeopardising the company's ability to honour its obligations in the short term.

Financial statements line-item:	Million euro (*)					
	31.12.2016			31.12.2015		
	Financial Statements	Adjustments	Working capital	Financial Statements	Adjustments	Working capital
Inventories	1,036	-	1,036	803	-	803
Trade and other accounts receivable	1,226	-	1,226	989	-	989
Trade accounts receivable, related companies	285	-	285	82	-	82
Receivable from public authorities	301	-	301	213	-	213
Other receivables	19	-	19	42	-	42
Trade and other accounts payable	(2,405)	-	(2,405)	(1,789)	-	(1,789)
Trade accounts payable, related companies	(407)	0	(407)	(149)	0	(148)
Due to public authorities	(174)	-	(174)	(100)	-	(100)
Other current liabilities	(121)	14(1)	(107)	(102)	23(2)	(80)
Working capital			(225)			12

(1) The adjustments relate to the elimination of the short-term part of the balance of repayable advances (€8 million), and other accounts payable that qualify as net financial debt (€6 million).
(2) The adjustments relate to the elimination of the short-term part of the balance of repayable advances, (€6 million), and other accounts payable that qualify as net financial debt (€17 million).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

The ratio of working capital to revenue is calculated as working capital at any given date divided by the revenue in the twelve months prior to that date.

4. Capital Expenditure (Capex)

Capital Expenditure (capex) refers to investments made in the period in fixed assets (productive assets, whether tangible or intangible) in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex).

The amount of Capex is obtained directly from the financial statements:

Financial statements line-item:	**Million euro**	
Cash flow statement	**2016**	**2015**
Acquisition of intangible assets	72	56
Acquisition of property, plant and equipment	139	112
Capex	**211**	**168**

5. Definitions of cash flow

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (capex). Gamesa includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the year, the ordinary non-cash items (depreciation and amortisation, and over-provisions) and income from equity-accounted affiliates.

Net operating cash flow: the result of deducting working capital (defined in item 6) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

Free cash flow: obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between December 2016 and 2015 (defined in item 2 above) plus dividends paid in the period.

Million euro	2015	2016	Change
NFD (+ cash / - debt)	**301**	**682**	**381**
Dividend payments			42
Free cash flow			**423**

6. Average working capital

Calculated as the average of Working Capital (defined in point 3) at the end of the last four quarters.

Million euro	Q1	Q2	Q3	Q4	Average
Working capital 2015	395	275	365	12	**262**
Working capital 2016	153	129	253	-225	**77**
Change					**(184)**

7. Average Selling Price (ASP)

Average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

Million euro	2015	2016
Revenue	**3,504**	**4,612**
Wind Turbine Generators (1)	3,033	4,141
Operation and maintenance	471	471
MWe sold (2)	**3,180**	**4,332**
ASP (1/2)	**0.95**	**0.96**

8. Contribution Margin, Structural Expenses and EBIT

The **Contribution Margin** (CM) is the difference between revenue and variable costs. Deducting fixed (structural) costs, period depreciation and amortisation and impairments from the Contribution Margin gives EBIT. The Contribution Margin is normally presented as a percentage of revenue, the latter being revenue (total or by segments, as appropriate) in the financial statements.

Structural expenses are calculated by deducting period depreciation and amortisation, impairments and the Contribution Margin from EBIT. Structural expenses are presented as a percentage of revenues, the latter being revenue in the financial statements.

EBIT (Earnings Before Interest and Taxes): operating profit per the consolidated income statement. Operating profit before income from equity-accounted affiliates, net financial results including exchange gains/losses, taxes and income from discontinued operations/available-for-sale assets and non-controlling interests.

EBIT margin: ratio of reported EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

9. Net profit and Net profit per share (EPS)

Net profit: consolidated profit for the year attributable to the parent company.

Net profit per share (EPS): the result of dividing net profit by the average number of shares outstanding in the period (excluding treasury shares).

Thousands	2015	2016
Net profit	170,216	301,278
Number of shares	276,133	276,723
BNA	**0.62**	**1.09**

10. Other indicators

Coverage of WTG sales volume: the sales coverage ratio expresses the likelihood of achieving the WTG sales volume targets set by the company for a given year. It is calculated as orders received in the period (in MW) for activity/sale in a given year, divided by the activity/sales guidance for that year. Where the commitment is expressed as a range, the mid-point of the range is used. Where the commitment is expressed as a minimum volume, the ratio is calculated using that minimum volume.

MW	2016
Order Backlog year N (1)	3,135
Sales guidance year (2)	5,000
Coverage of WTG sales volume (1/2)	**63%**

Book-to-bill: ratio of order intake (in MW) to activity/sales (MWe) in the same period. The Book-to-Bill ratio gives an indication of the future trend in sales volume.

MW	2016
Order Intake	4,687
MWe	4,332
Book to bill	**1.1**

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

Cost of energy (LCOE/COE): the cost of converting a source of energy, e.g. wind, into electricity, measured in monetary units per MWh. It is calculated taking account of all costs incurred during the asset's life cycle (including construction, finance, fuel, operation and maintenance, taxes and incentives), divided by the total output expected from the asset during its useful life.

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES

IDENTIFYING DATA OF THE ISSUER

END DATE OF THE REFERENCE YEAR: 12-31-2016

TAX ID NO. A01011253

Company Name:

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

Business Address:

PARQUE TECNOLÓGICO DE BIZKAIA, EDIFICIO 222, 48170 ZAMUDIO (VIZCAYA)

A STRUCTURE OF THE PROPERTY

A.1 Fill out the following table on the Company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
09-08-2014	47,475,693.79	279,268,787	279,268,787

Indicate whether or not there are different kinds of shares with different associated rights.

Yes ☐ **No X**

Type	Number of shares	Denomination per unit	Unitary number of voting rights	Different rights

A.2 Detailed information of the direct and indirect holders of significant shares, of their company at the year end date, excluding directors:

Shareholder's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
IBERDROLA, S.A.		IBERDROLA PARTICIPACIONES, S.A. SOCIEDAD UNIPERSONAL	54.977.288	19,686
NORGES BANK	8.958.027		8.397.066	3,208
FIDELITY INTERNATIONAL LIMITED			2.967.105	1,062

Indicate the most significant changes to the shareholder structure throughout the year:

Shareholder's name or company name	Operation date	Operation description
BLACKROCK, INC.	01/07/2016	Decreased its shareholding under 3% down to 2.917%
NORGES BANK	01/15/2016	Increased its shareholding more than 3% up to 3.026%
BLACKROCK, INC.	02/04/2016	Decreased its shareholding under 3% down to 2.873%
YORK EUROPEAN OPPORTUNITIES INVESTMENT MASTER FUND, L.P.	02/05/2016	Increased its shareholding more than 1% up to 1.052%

FIDELITY INTERNATIONAL LIMITED	02/23/2016	Decreased its shareholding under 1% down to 0.947%
YORK EUROPEAN OPPORTUNITIES INVESTMENT MASTER FUND, L.P.	02/26/2016	Decreased its shareholding under 1% down to 0.802%
NORGES BANK	03/08/2016	Decreased its shareholding under 3% down to 2.967%
OZ MASTER FUND LTD	07/11/2016	Increased its shareholding more than 1% up to 1.062%
OZ MASTER FUND LTD	07/28/2016	Decreased its shareholding under 1% down to 0.973%
OZ MASTER FUND LTD	10/04/2016	Increased its shareholding more than 1% up to 1.016%
NORGES BANK	10/19/2016	Increased its shareholding more than 3% up to 3.136%
NORGES BANK	10/26/2016	Decreased its shareholding under 3% down to 2.890%
NORGES BANK	11/15/2016	Increased its shareholding more than 3% up to 3.375%
NORGES BANK	11/16/2016	Decreased its shareholding under 3% down to 2.847%
FIDELITY INTERNATIONAL LIMITED	11/28/2016	Increased its shareholding more than 1% up to 1.062%
NORGES BANK	12/06/2016	Increased its shareholding more than 3% up to 3.358%
OZ MASTER FUND LTD	12/13/2016	Increased its shareholding more than 2% up to 2.041%
NORGES BANK	12/14/2016	Increased its shareholding more than 3% up to 3.208%
DANIEL S. OCH	12/14/2016	Increased its shareholding more than 3% up to 3.024%
DANIEL S. OCH	12/28/2016	Decreased its shareholding under 3% down to 2.986%

See note (A.2) in Section H of this report.

A.3 Fill out the following tables on the members of the Company's Board of Directors who have rights to vote on the Company's shares:

Director's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
Arregui Ciarsolo, Juan Luis	0	RETOS OPERATIVOS XXI, S.L.	138,196	0.049 %
Martín San Vicente, Ignacio	62,702		0	0.022 %
Hernández García, Gloria	1,200		0	0.000 %
Rubio Reinoso, Sonsoles	1,030		0	0.000 %
Lada Díaz, Luis	519		0	0.000 %
Aldecoa Sagastasoloa, José María	500		0	0.000 %
Rodríguez-Quiroga Menéndez, Carlos	315		0	0.000 %
Cendoya Aranzamendi, Andoni	300		0	0.000 %
Aracama Yoldi, José María	207		0	0.000 %
Codes Calatrava, Gerardo	20		0	0.000 %
Vázquez Egusquiza, José María	0		0	0.000 %
Villalba Sánchez, Francisco Javier	0		0	0.000 %

Total % of voting rights in the power of the Board of Directors	0.073 %

Fill out the following tables on the members of the Company's Board of Directors who have rights over the Company's shares:

Director's name or company name	Number of direct rights	Indirect rights		Number of equivalent shares	% of the total voting rights
		Direct holder	Number of voting rights		

See note (A.3) in Section H of this report.

A.4 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders, as the Company is aware of them, unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description

A.5 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders and the Company and/or its group unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description
IBERDROLA, S.A.	CONTRACTUAL	SEE SECTION D.2.

A.6 Indicate whether or not the Company has been notified of shareholders' agreements which affect it according to the provisions in Articles 530 and 531 of the Capital Companies Law. Where applicable, describe them briefly and list the shareholders bound by the agreement:

Yes ☐ **No X**

Members of the shareholder's agreement	% of affected share capital	Brief description of the agreement
IBERDROLA, S.A., IBERDROLA PARTICIPACIONES, S.A.(SOCIEDAD UNIPERSONAL) and SIEMENS AKTIENGESELLSCHAFT	19.686% and 67% after meger	In fulfilment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2, IBERDROLA, S.A. informed Gamesa Corporación Tecnológica, S.A. on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA, S.A. and Iberdrola Participaciones, S.A. (Sociedad Unipersonal),

		as shareholders (non-direct and direct, respectively) of Gamesa Corporación Tecnológica, S.A., on one hand, and Siemens AG, on the other hand. The contract was signed in the context of a process of combination of the wind energy businesses of Gamesa Corporación Tecnológica, S.A. and Siemens AG through the merger by absorption of Siemens Wind Holdco, S.L. (Sociedad Unipersonal) by GAMESA (the "Merger"). In this frame it rules the realtionships as future shareholders of Gamesa after the Merger (the "Shareholders' agreement").

Indicate whether or not the Company is aware of the existence of shares agreed on between its shareholders. Where applicable, describe them briefly:

Yes ☐ **No X**

Members of the agreed on share	% of affected share capital	Brief description of the agreement

If, throughout the year, there was an amendment to or termination of these agreements or agreed on shares, indicate this expressly:

A.7 Indicate whether or not there is a natural or legal person who exercises or may exercise control over the Company according to Article 5 of the Securities Market Law. Where applicable, identify it:

Yes ☐ **No X**

Name or company name

Observations

A.8 Fill out the following tables on the Company's treasury shares:

At the year end date:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,365,265	0	0.847

(*) Using the:

Direct shareholder's name or company name	Number of direct shares
Total:	

Explain the significant variations, in accordance with the provisions in Royal Decree 1362/2007, occurring throughout the year:

Explain the significant variations
Pursuant to article 40 of *Royal Decree 1362/2007 of 19 October, implementing the Spanish Securities Market Act (Law 24/1988 of 28 July), regarding the transparency requirements in relation to information about issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union (the "Royal Decree 1362/2007")*, these issuers must inform the National Securities Market Commission (CNMV) of the proportion of voting rights held when, from the last treasury stock acquisition announcement, they acquire their own shares amounting to at least 1% of the voting rights via a single transaction or successive transactions. In this regard, during 2016 GAMESA CORPORACIÓN TECNOLÓGICA, S.A. ("GAMESA" or the "Company" and the group of companies of which Gamesa is the parent company, the "Gamesa Group" or simply the "Group") made seven announcements of direct acquisitions of treasury stock, since all of them exceeded the 1% threshold of the voting rights since the previous similar announcement. The announcements made are detailed below: • Announcement date: 3 February 2016, with a total number of directly acquired shares of 2,830,204, thus a capital share total of 1.01%. • Announcement date: 11 March 2016, with a total number of directly acquired shares of 2,835,160, thus a capital share total of 1.01%. • Announcement date: 13 June 2016, with a total number of directly acquired shares of 2,798,928, thus a capital share total of 1.00%. • Announcement date: 6 July 2016, with a total number of directly acquired shares of 2,800,327, thus a capital share total of 1.00%. • Announcement date: 25 August 2016, with a total number of directly acquired shares of 2,795,998, thus a capital share total of 1.00%.

• Announcement date: 11 October 2016, with a total number of directly acquired shares of 2,845,974, thus a capital share total of 1.01%.
• Announcement date: 24 November 2016, with a total number of directly acquired shares of 2,912,805, thus a capital share total of 1.04%.

See note (A.8) in Section H of this report.

A.9 Provide detailed information on the terms and conditions and period of the current mandate from the Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer own shares.

On this report's approval date, the authorization given by the Ordinary General Meeting of the Company's Shareholders held on May 8, 2015, by virtue of which the Board of Directors was authorized to acquire own shares. The content of the agreement adopted at the referred to Meeting in point nine of the agenda is transcribed below:

"To expressly authorise the Board of Directors, with the express powers of substitution, as per the dispositions in article 146 of the Companies Law for the derivate acquisition of the Gamesa Corporación Tecnológica, Sociedad Anómina's ("Gamesa" or the "Company") own shares in the following terms:

a.- The acquisitions may be made by Gamesa or by any of its depending companies in the same terms of this agreement.
b.- The share acquisitions will be made through sales, swaption or any other legally permitted operations.
c.- The acquisitions may be made, at each time, up to the legally allowed maximum figure.
d.- The minimum share price will be their nominal value and the maximum will not be 110% above their market quotation value on the date of acquisition.
e.- The shares acquired may subsequently be transferred in freely decided conditions.
f.- The present authorisation is awarded for a maximum period of 5 years, expressly repealing the unused part of the authorisation awarded by the Company Shareholders' Ordinary General Meeting held on May 28, 2010.
g.- The shareholders' equity resulting from the acquisition of shares, including those that the Company or the person acting in their own name but for the account of the Company has previously acquired and holds as treasury shares, shall not be less than the amount of share capital plus the reserves that are restricted under the law or the By-Laws, all pursuant to the provisions of letter b) of section 146.1 of the Companies Law.

Lastly, and in relation to the dispositions in article 146.1.a) last paragraph of the Companies Law, it is stated that the shares that are acquired under the present authorisation, may be used by the Company for, amongst other purposes, giving to Company employees or administrators either directly or deriving from the exercise of option or other rights contemplated in incentive plans of which they are holders and/or beneficiaries as considered in the relevant legislation, statutes or regulations."

A.9 bis Estimated free float:

	%
Estimated free float	73.083

See note (A.9 bis) in Section H of this report.

A.10 Indicate whether or not there is a restriction on the transfer of securities and/or any restriction on the right to vote. Specifically, notify the existence of any other kind of restrictions which may make it hard to take control of the Company by acquiring its shares in the market.

Yes ☐ **No X**

Description of the restrictions

A.11 Indicate whether or not the general meeting has agreed on adopting neutralization measures regarding a public acquisition offer pursuant to the provisions in Law 6/2007.

Yes ☐ **No X**

Where applicable, explain the approved measures and the terms and conditions in which the restrictions will not be effective:

A.12 Indicate whether or not the Company has issued securities that are not traded in a regulated community market.

Yes ☐ **No X**

Where applicable, indicate the different kinds of shares and, for each kind of share, the conferred rights and obligations.

B GENERAL MEETING

B.1 Indicate and, where applicable, detail if there are differences between the minimum quorum given in the Capital Companies Law (LSC) regarding the quorum required to hold the general meeting.

Yes ☐ **No X**

	% of quorum different from the provisions in Art. 193 LSC for general circumstances	% of quorum different from the provisions in Art. 194 LSC for special circumstances in Art. 194 LSC
Required quorum in the 1st call		
Required quorum in the 2nd call		

Description of the differences

B.2 Indicate and, where applicable, detail if there are differences between the quorum given in the Capital Companies Law (LSC) for entering into social agreements:

Yes ☐ **No X**

Describe how it differs from the minimum quorum given in the LSC.

	Enhanced majority different from the one established in Article 201.2 of the LSC for the circumstances in 194.1 of the LSC.	Other enhanced majority circumstances
% established by the entity for adopting agreements		
Describe the differences		

B.3 Indicate the standards applicable to amending the Company's bylaws. Specifically, the majorities laid down for amending the bylaws will be communicated as well as, where applicable, the set standards for enforcing the rights of partners when amending the bylaws.

The amendment of the Gamesa Bylaws is governed by articles 285 through 290 of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July (the "Corporate Enterprises Act").

The amendment of the Gamesa Bylaws is also governed as stipulated in the Company's own Bylaws and the Regulations of the Company's General Shareholders Meeting.

In this regard, regarding to the capacity for amendment, articles 14 h) of the bylaws and 6.1 h) of the Regulations of the General Shareholders Meeting state that this capacity pertains to the Gamesa General Shareholders Meeting.

Articles 18 h) of the Bylaws and 26 of the Regulations of the General Shareholders Meeting include the quorum requirements for adopting decisions by the General Shareholders Meeting. Articles 26 of the Bylaws and 32 of the Regulations of the General Shareholders Meeting stipulate the majorities necessary to do so.

Article 31.4 of the Regulations of the General Shareholders Meeting states that the Board of Directors, in accordance with the law, will form proposals for different agreements regarding matters that are substantially independent so the shareholders may separately exercise their voting right. Specifically, this rule will be applied in the case of amendments to the bylaws, to each article or a group of articles which are substantially independent.

Finally, in accordance with article 518 of the Corporate Enterprises Act, with the notice convening the General Shareholders Meeting in which a proposal is made to amend the Bylaws, the Company's website will post the complete text of the agreement proposals on the items in the agenda proposing said amendment, and the reports from the competent bodies in relation thereto.

B.4 Indicate the data regarding attendance at the general meetings held throughout the year referred to in this report and those of the previous year:

	Attendance data				
General meeting date	**% physical presence**	**% represented**	**% distance voting**		**Total**
			Electronic vote	**Others**	
10-25-2016	23.13	34.80	0.00	0.00	57.93
06-22-2016	24.41	34.83	0.00	0.00	59.24
05-08-2015	24.37	34.51	0.00	0.00	58.88

See note (B.4) in Section H of this report.

B.5 Indicate if there is a restriction in the by-laws which establishes a minimum number of required shares to attend the general meeting:

Yes ☐ **No X**

Number of required shares to attend the general meeting	**1**

B.6 Repealed paragraph.

B.7 Indicate the address and mode of access to the Company's website and to the information on corporate governance and other information on the general meetings which should be available to the shareholders through the company's website.

The Bylaws of GAMESA rule in its article 48 the Webpage of the company according to the current legislation.

The obligatory content which must be published according to the restated Text of the Law on the Securities Market, approved by Royal Legislative Decree 4/2015, of October 23, ("Securities Market Law"), by the Capital Companies Law and by the Order ECC/461/2013, dated March 20, by which the content and structure of the annual corporate governance report, the annual report on remunerations and other informative instruments of the listed companies, of savings accounts and other entities that issue securities traded in official securities markets are determined, and completed by Circular 3/2015, dated June 23, of the Comisión Nacional del Mercado de Valores (National Securities Exchange Commission), on the technical and legal specifications that the webpage of the issued companies and the saving accounts that issue securities admitted in the official secondary securities markets must include, are directly accessible at http://www.gamesacorp.com/en/investors-and-shareholders/.

The Company's website does not only contain the information required by the legislation (Securities Market Law, Capital Companies Law, Order ECC/461/2013, dated March 20, and Circular 3/2015, dated June 23) but also other of information of interest for shareholders and investors and news referring to the Company's activity.

Limiting ourselves to the mandatory content, we have aimed for the viewers of it, shareholders and investors, to be able to simply access the information which, in accordance with the legislation of the Securities Market Law, has to be accessible and mainly that this information is continuously updated.

Regarding accessibility of the mandatory content, it must be noted that access to it is shown on the home page of the website under the title "Shareholders and Investors". Within this title, there is an index that includes content which, in accordance with the aforementioned Circular 3/2015 and Order ECC/461/2013, have to be included on the listed companies' websites. Likewise, it is also noted that the mentioned index is also directly available from the home page of the website, being able to access one of its already, individually broken down sections.

As in the previous eight years, it is worth noting that the Company has finished in 2016 (in compliance with the internal regulation on maintenance and updating the corporate website, under revision), the monthly revision of the mandatory content, proceeding, where necessary, to updating it in the maximum period of twenty days.

C THE COMPANY'S ADMINISTRATION STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the by-laws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Fill out the table below with the board members:

Director's name or company name	Representative	Directors's category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Martín San Vicente, Ignacio		Executive	Chairman and CEO	05-23-2012	06-22-2016	General Meeting
Arregui Ciarsolo, Juan Luis		Independent	Vice Chairman	01-28-1976	04-19-2013	General Meeting
Rodríguez-Quiroga Menéndez, Carlos		Executive	Director and Secretary	09-27-2001	04-19-2013	General Meeting
Vázquez Egusquiza, José María		Independent	Director	05-25-2007	04-19-2013	General Meeting
Lada Díaz, Luis		Independent	Director	10-23-2009	04-19-2013	General Meeting
Aracama Yoldi, José María		Independent	Director	03-08-2011	04-19-2013	General Meeting
Rubio Reinoso, Sonsoles		External Proprietary	Director	12-14-2011	06-22-2016	General Meeting
Aldecoa Sagastasoloa, José María		Independent	Director	07-25-2012	04-19-2013	General Meeting
Villalba Sánchez, Franciscp Javier		External Proprietary	Director	02-25-2015	05-08-2015	General Meeting
Hernández García, Gloria		Independent	Director	05-08-2015	05-08-2015	General Meeting
Cendoya Aranzamendi, Andoni		Independent	Director	05-08-2015	05-08-2015	General Meeting
Codes Calatrava, Gerardo		External Proprietary	Director	09-14-2016	10-25-2016	General Meeting

Total number of directors	12

Indicate any resignations in the Board of Directors during the period subject to information:

Director's name or company name	Condition of the director at the time of resignation	Leave date
Góngora Bachiller, Gema	External Proprietary	09-14-2016

See note (C.1.2) in Section H of this report.

C.1.3 Fill out the following tables on the board members and their different conditions:

EXECUTIVE DIRECTORS

Director's name or company name	Position in the company's organizational chart
Martín San Vicente, Ignacio	Chairman and CEO
Rodríguez-Quiroga Menéndez, Carlos	Director-Secretary of the Board of Directors and Legal Counsel

otal number of executive directors	2
% of the total of the board	16,67

EXTERNAL PROPRIETARY DIRECTORS

Director's name or company name	Name or company name of the significant shareholder acting as representative or who approved his/her appointment
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.
Villalba Sánchez, Francisco Javier	IBERDROLA, S.A.
Codes Calatrava, Gerardo	IBERDROLA, S.A.

Total number of proprietary directors	3
% of the total of the board	25

INDEPENDENT EXTERNAL DIRECTORS

Director's name or company name	Profile
Aracama Yoldi, José María	He was born in Pamplona (Navarra). He currently holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., of its Audit and Compliance Committee and of its Appointments Committee. He holds a Degree in Industry Engineering in the San Sebastian faculty (TECNUN) from the University of Navarra with a specialization in "Industrial Organization". He completed his studies with a Master in Business Administration (MBA) in the IESE in Barcelona (University of Navarra).

	Throughout his professional career he held different posts in the private and public sector. He was Financial Director and in charge of the registered office in Navarra of "Cementos Portland, S.A." (1979-1996), Economy and Tax Counsel in the Navarra Government (1996-1999), Director in Pamplona of the group "Cementos Portland Valderrivas" (1999-2001), General Director of SODENA (Sociedad de Desarrollo de Navarra, S.A.) (2001-2011) and Enclosure to the Presidency of the group "Cementos Portland Valderrivas" (2011-2013). In parallel to his professional activity and representing the Government of Navarra, Caja Navarra, SODENA or the group Cementos Portland Valderrivas, he was member of the Board of Directors of several companies, among others, SOFOENSA (Sociedad de Fomento Energético, S.A.), EHN (Energía Hidroeléctrica de Navarra, S.A.), Electra de Zudaire, S.A., Caja de Ahorros de Navarra, SODENA (Sociedad de Desarrollo de Navarra, S.A.), Redes de Telecomunicaciones de Navarra, S.A., Mutua Navarra, Cementos Alfa, S.A., Cementos Lemona, S.A., Uniland Cementera, S.A., Oficemen, Cembureau, Committee of the Regions of the European Parliament, Consejo Económico y Social de Navarra, Fundación Jorge Oteiza and Fundación Baluarte. Likewise and as independent Director or representing himself he was member of the Board of Directors of, among others, CEASA (Compañía Eólica Aragonesa, S.A.), Chairman of the Colegio de Ingenieros Industriales de Navarra, Chairman of the Agrupación Territorial de Navarra, País Vaco y La Rioja of the IESE, member of TEMIS (group of applied investigation specialized in business processes), Teacher of Finance in the Executive Master of Companies Management of the Foro Europeo (Escuela de Negocios, Pamplona). Currently, he is member of the Board of Consultora Altair, founding partner of the Technological Consultancy Tangle Research, S.L., member of the Social Board of the Universidad Pública de Navarra, of the Strategic Board of CEIT (Centro de Estudios e Investigaciones Técnicas), of the Junta Rectora de APD (Asociación para el Progreso de la Dirección) and of the Junta of Fundación Proyecto Hombre de Pamplona.

Lada Díaz, Luis	He was born in Mieres (Asturias). He currently holds the position of Member of the Board of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Member of the Executive Committee. He holds a Degree in Telecommunications Engineering from the Polytechnic University of Madrid. He is "Ad Honorem" Professor and permanent member of the Royal Academy of Engineering. After a short period in the Superior Board of Scientific Investigations (Consejo Superior de Investigaciones Cientificas) he joined, in 1973, the Center of Investigations and Studies of Telefonica, company where he mostly has developed his professional career. In 1984, he was appointed as Responsible for Planning and Technology. Between 1989 and 1993 he worked for the Amper Group, as General Director of Planning and Control, and after that he returned to Telefónica as Responsible of its Group of Subsidiaries and Participated Companies. In 1994 he was appointed Chairman of Telefonica Moviles España. In August, 2000, he became member of the Board of Directors of Telefonica, S.A., member of its Executive Committee and Executive Chairman of Telefonica Moviles, S.A. In August, 2003, he assumed the General Directorate of Development, Planning and Regulation of the Telefonica Group. Between December 2005 and July 2006 he was Executive Chairman of Telefonica de España. Currently, he is member of the Board of Directors of Indra Sistemas, S.A. and member of its Audit and Compliance Committee, and member of the Board of Directors of ENCE Energía y Celulosa, S.A. and of its Audit Committee. He is also member of the Counsel Board of ASSIA Inc. and of the Consejo del Colegio de Ingenieros de Telecomunicación. He has been member of the Government Board and Vice Chairman of the Spanish Telecommunications Engineers Association, as well as member of the Board of Directors of several companies of the Information Technology field. He has been awarded with different professional and business honours.

Aldecoa Sagastasoloa, José María	Born in Zaldibar (Vizcaya), he holds the position of member of the Board of Directors and of the Executive Committee, and Coordinating Director of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. Holds a Degree in Electronic Technical Engineering by the University of Mondragón and PADE (*Programa de Alta Dirección de Empresas*) by the IESE. Along his professional career he has hold different posts in the private sector, like diverse Technical and Management in COPRECI (1971-1982), the post of Management Director of FAGOR ELECTRÓNICA and he was also member of the Management Counsel of Fagor, S. Coop. (1982-1991). Between 1984 and 1991 he was Deputy Chairman of ANIEL (*Asociación Nacional de Industrias Electrónicas*) and Chairman of the Board of Components. Likewise his post as member of the Management Board of the European Association of electronic components (EECA) between 1986 and 1991 shall be pointed out. From 1992 until 2012 his professional career was developed in MONDRAGON CORPORACION holding diverse posts like Deputy Chairman (1992-2006), General Director of the Components Division (1992-1999), Chairman of the Congress and of its Permanent Committee (1994-1995), General Director of the Automotive Division (1999-2006), and he was also member of the General Board (1992-2006). In 2007 he was appointed Chairman of the General Board, post he held until July 2012. He was also Chairman of the Engineering School of the University of Mondragón (1998-2002). He also held the post of member of the Board of Directors of diverse companies of components and the automotive sector (Copreci-Chequia, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brasil, Paranoa-Cicautxo-Brasil, FPK, Fagor Ederlan-Eslovaquia), and the post of member (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES.

	Currently he holds the position of external independent Director in VISCOFAN, S.A., as well as member of its Audit Committee and Lead Independent Director.
Arregui Ciarsolo, Juan Luis	Born in Mallavia (Vizcaya). He is currently Deputy Chairman of the Board of Directors, member of the Executive Committee and member of the Remunerations Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. He holds a Technical Engineering Degree from the Bilbao School of Engineering, holds a degree in Numerical Control from Wandsdorf, Germany and has a Master in Micromechanics from Besançon, France. He is the Chairman of Viña Izadi, S.A. since 1987 and of Foresta Capital, S.A., since 2002, having taken part in founding both companies. He is also the President of ENCE Energía y Celulosa, S.A. since 2006, Director of GRL Aceite since 2000, and First Deputy Chairman of Cartera Industrial Rea, S.A. since 2008. He held the position of Director of Iberdrola, S.A. (1993-2010), holding the posts of member of the Audit Committee (1999-2001), member of the Executive Committee (2002-2010), member of its Appointment and Remuneration Committee (2004-2010) and Deputy Chairman of the Board of Directors (2006-2010). He also held the positions of Chairman of Gamesa, Chairman of Corporation Eólica Cesa, S.L., Co-Chairman of Grupo Guascor and member of Gestora de Proyectos y Contratos, S.A., of which he was co-founder.
Vázquez Egusquiza, José María	He was born in Bilbao (Vizcaya). He currently holds the position of Member of the Board of Directors and Member of the Audit and Compliance Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. He holds an Industrial Metallurgic Engineering Degree and an Economics Degree from the University of País Vasco, having completed his training with various Masters in the USA and Sweden.

	His professional career has been developed mainly in the metallurgic sector. He started at Babcock & Wilcox as an engineer of materials and weld in the valves for the nuclear power station department, holding afterwards management positions at different companies of the País Vasco within the metallurgic sector, equipments, shipping and construction. He is currently, among others, Chairman of the Board of Directors of GIROA (Grupo Veolia), member of the Strategic Committee of IK4 Research Alliance and member of the Patronato and the Strategic Board of the Centro de Estudios e Investigaciones Técnicas de Gipuzkoa (CEIT). He has performed, among others, tasks of President of the Industrial Politics Committee of CONFEBASK, member of the Board of Directors of CEOE, President of the Technological Innovation Committee of CEOE, member of the Corporate Committee for CEOE's Information Company, Director of Centro de Diseño Industrial of Bizkaia, member of the Board of Directors of Asociación Española para el Desarrollo de la Soldadura and member of the Board of Directors of SEOPAN. He has developed an intensive educational and disclosed work.
Hernández García, Gloria	Born in Madrid, she holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Chairman of its Audit and Compliance Committee. She studied at the Complutense University of Madrid, where she obtained a degree in Economic Sciences with a specialty in Economic Theory. She is currently the General Director of Finance and Capital Markets of Bankinter, S.A., manager of the treasury of the company, of balance sheet risk management, of solvency and calculation, and of the management of the resources of the Bankinter Group, as well as responsible for the budget control and the efficiency, the investors relations, accountancy policies and the financial control, the accounts and the

	financial information of the Bankinter group and the coordination of the relationship of the entity with the ECB. She is member of the Management Committee of Bankinter, S.A., Director as representative of Bankinter in Linea Directa Aseguradora, S.A., Bankinter Consumer Finance and Bankinter Global Services. Before joining Bankinter, S.A., she served for over seven years as the Financial Director of Banco Pastor, S.A. Doña Gloria Hernández García is Commercial Technician and State Economist on personal leave, and as such she worked until 2003 in different public posts connected to the Directorate General of the Treasury and Financial Policy, where she also held the position of General Manager of the Treasury. She also was *nata* Director of the CNMV and the Bank of Spain. At last, she has had significant international experience by being, among others, a representative member of Spain on Committees of the European Union and Director of the subsidiary of Bankinter in Luxembourg.
Cendoya Aranzamendi, Andoni	Born in in Deba (Gipuzkoa), he holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Chairman of the Appointments Committee and of the Remunerations Committee. He holds a Master's in Electrical Engineering from the Escuela de Armería in Eibar, and a Master's in Human Resources from CEREM. Andoni Cendoya Aranzamendi has broad experience in the industrial sector, having undertaken the majority of his career in a leading group of the aeronautical sector (the ITP Group). He also adds to his sectoral knowledge with experience in other sectors, with his role in the negotiation of restructuring the naval sector and the renewal of the bank agreement being particularly outstanding.

	He has experience in the senior management of international companies, acquired during his time as the Executive Director of Human Resources of the ITP Group, where he was also a member of the Management Committee of the Group. He also has experience in the management of international companies, as he was part of the management team of ITP's subsidiaries in England and Mexico. Specifically, he started up the operations of the latter.

Total number of independent directors	7
Total % of the board	58,33

Indicate if any director qualified as independent receives from the Company, or from its same Group, any amount or benefit for an item other than remuneration as director or maintains or has maintained, throughout the past year, a business relationship with the Company or any other company of its Group, whether in his/her name or as a significant shareholder, director or senior manager of an entity which maintains or would have maintained this relationship.

Where applicable, a reasoned statement from the Board on the reasons why it considers this director can perform its duties as an independent director shall be included.

Director's name or company name	Relationship description	Reasoned statement

OTHER EXTERNAL DIRECTORS

Other external directors will be identified and the reasons because they cannot be considered external proprietaries or independents and its entails, with the company, its managers, or its shareholders, will be detailed:

Director's name or company name	Reasons	Company, manager or shareholder with whom the entail is maintained

Total number of other external directors	0
Total % of the board	0

Indicate the variations which, where applicable, have occurred during the period in each director category:

Director's name or company name	Date of the change	Previous category	Current category

See note (C.1.3) in Section H of this report.

C.1.4 Fill out the following table with the information related to the number of female board members at the closing of the last 4 years, as well as the category of each one:

	Number of female board members				% of the total directors of each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0%	0%	0%	0%
Proprietary	1	2	1	1	33.33%	66.67%	50%	50%
Independent	1	1	0	0	14.29%	14.29%	0%	0%
Other External	0	0	0	0	0%	0%	0%	0%
Total:	2	3	1	1	16.67%	25%	10%	10%

C.1.5 Explain the measures that, where applicable, were adopted to include a number of women on the Board of Directors which permits reaching a balanced presence of men and women.

Explanation of the measures
The erstwhile Appointments Committee actively seeks, either directly or with external advice from outsourced companies, to include candidates in the different Director selection processes in adherence to the guidelines included in the "Director Selection Policy" approved by the Board of Directors on 23 September 2015. During 2016, four new directors were appointed, who are detailed as follows, thus her appointments are conditional on registration of the public deed of Merger between GAMESA and SIEMENS WIND HOLDCO, S.L. (Sociedad Unipersonal) ("Siemens Wind Holdco") with the Commercial Registry of Bizkaia: - Ms. Rosa María García García, as non-executive proprietary director. - Ms. Mariel von Schumann, as non-executive proprietary director. - Ms. Lisa Davis, as non-executive proprietary director. - Ms. Swantje Conrad, as non-executive independent director.

After the new appointments and taking into account the corporate governance issues included in the Shareholders' Agreement (see section A.6) after the effectiveness of the Merger the Board of Directors will be made up of 46% of women. These appointments positions the Company over the target of 30% women directors on the Board of Directors by 2020, as included in the Policy on selecting Directors (section 4.c)) and in Recommendation 14 of the Code of good governance for listed entities approved by the CNMV on 18 February 2015 (the "Good Governance Code"). Likewise, article 7.5 of the Regulations of the Appointments Committee contemplates that the duties of the Committee include "*establishing a representation target for the gender least represented in the Board of Directors and drawing up various guidelines on how to reach them.*"

C.1.6 Explain the measures that, where applicable, the Appointment Committee agreed on so the selection procedures do not suffer from any implicit discriminatory bias which interfere with selecting female directors, and that the Company deliberately seeks and includes among the potential candidates, women who meet the sought after professional profile:

Explanation of the measures
The Appointments Committee, in application of Article 14 of the Regulations of the Board of Directors, has established that director selection criteria shall entail recognized reputation/credibility, solvency, competence and experience, procuring that female candidates meeting this profile are selected in this selection process. Article 7.4 of the Regulations of the Appointments Committee stipulates also a further duty of the Committee, namely *"guaranteeing that the selection procedures are safeguarded from any implicit bias that could entail discrimination".* Section 4 c) of the "Policy on selecting Directors" approved by the Board of Directors on 23 September 2015 likewise states that *"the selection of directors must be safeguarded from any implicit bias that could entail discrimination of any sort and, in particular, interfere in the selection of female directors".*

When, despite the measures adopted, where applicable, the number of female board members is little or null, explain the reasons which justify this:

Explanation of the reasons
N/A

C.1.6 bis Explain the conclusions of the Appointments Committee regarding the verification of compliance with the director selection policy. And, in particular, how this policy is promoting attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The Appointments Committee arrived at the following conclusions in 2016 insofar as verification of compliance with the Director Selection Policy:

- The Company has fulfilled the law, Gamesa's Corporate Governance Rules and the recommendations of the good governance Code in its Directors' selection and appointment processes.

- More precisely, the Appointments Committee has expressly verified that the selection of candidates and their following appointments as members of the Board of Directors during 2016 has been carried out according to the "Policy on selecting Directors" approved by the Board of Directors in its session held on 23 September 2015.

- The Company shall continue improving the application of the principles and applicable good governance rules in this matter and promote the selection of directors with independent profiles having international professional experience, specialized and solvent in the business areas of Gamesa.

- Regarding the diversity of gender in the composition of the Board of Directors, after the appointments of women as Directors approved in the Extraordinary General Meeting, Gamesa does not just comply with the objective to have women representing at least 30% for 2020, but at the moment of the effectiveness of those appointments (with the registration of the Merger public deed in the Commercial registry of Bizkaia) the Company will have 46% of women as members of the Board of Directors.

C.1.7 Explain the form of representation on the Board of shareholders with significant shareholdings.

Shareholders holding significant stock are represented on the Board of Directors as Non-Executive Proprietary Directors. According to article 11 of the Regulations of the Board of Directors of GAMESA, directors are categorized into *"(a) executive directors; and (b) non-executive directors. Non-executive Directors may also be Independent, Proprietary or other External Directors.*

The status of each Director will be determined in accordance with legal provisions and must be explained by the Board of Directors before the General Shareholders Meeting that will carry out or approve their appointment and confirm or, where applicable, revise it annually in the Annual Corporate Governance Report after being verified by the Appointments and Remuneration Committee."

Moreover, it should be mentioned that article 9.4 of the Regulations of the Board of Directors states that "*the Board of Directors shall ensure that proprietary and independent directors are integrated in the majority group of non-executive directors, maintaining a balance regarding the complexity of the Group, the ownership structure of the company, the absolute and relative importance of significant shares, as well as the degree of continuity, commitment and strategic links with the holders of these stocks in the company.*"

Further, article 13.4 of the cited Regulations establishes that "*the provisions set forth in this chapter shall be binding notwithstanding the full freedom of the General Shareholders Meeting to decide on the appointment of directors.*"

Currently, Ms. Sonsoles Rubio Renosa is an external proprietary female director, appointed on 14 December 2011 by motion of Iberdrola, S.A. and last re-elected at the General Shareholder Meeting on 22 June 201.

Mr. Francisco Javier Villalba Sánchez is an external proprietary director, appointed on 25 February 2015 by motion of Iberdrola, S.A. and last re-elected at the General Shareholders Meeting on 8 May 2015.

Mr. Gerardo Codes Calatrava is an external proprietary director, appointed by cooption on September 14, 2016 by motion of Iberdrola, S.A. as substitute of Ms. Gema Góngora Bachiller and last re-elected at the Extraordinary General Sharaeholders' Meting on October 25, 2016.

See note (C.1.7) in Section H of this report.

C.1.8 Explain, where applicable, the reasons for which the proprietary directors were appointed by the motion of shareholders whose shares are less than 3% of the capital:

Shareholder's name or company name	Reason

Indicate whether or not formal requests for presence on the Board from shareholders whose shares are equal to or greater than that of others whose motion would have designated proprietary directors were taken into account. Where applicable, explain the reasons why they were not taken into account:

Yes ☐ **No X**

Shareholder's name or company name	Explanation

C.1.9 Indicate if any director has resigned from his/her position before the end of his/her term, if said director explained his/her reasons and how, to the Board of Directors, and, if done in writing, at least explain the reasons given below:

Director name	Reason for resignation
Góngora Bachiller, Gema	Personal reasons

C.1.10 Indicate, if they exist, the powers delegated to him/her or the executive director/s:

Director's name or company name	Brief description
Martín San Vicente, Ignacio	The Board of Directors of GAMESA., in its meeting on June 22, 2016, unanimously agreed, after a favorable report from the Appointment Committee, to re-elect Mr. Ignacio Martín San Vicente as Chairman and CEO of the Company delegating all powers to him which, according to the law and the by-laws correspond to the Board of Directors, except those which cannot be delegated by the law and by-laws, an appointment which was accepted by Mr. Martín San Vicente in the same act.

C.1.11 Identify, where applicable, the board members who assume positions as administrators or managers in other companies which are part of the listed company's group:

Director's name or company name	Company name of the entity in the group	Position	Has executive functions?

C.1.12 Detail, where applicable, the directors of its company which are members of the Board of Directors of other listed entities in official security markets different from its group, which the Company has been notified of:

Director's name or company name	Company name of the listed entity	Position
Arregui Ciarsolo, Juan Luis	ENCE ENERGÍA AND CELULOSA, S.A.	Chairman
	CARTERA INDUSTRIAL REA, S.A.	Vice Chairman 1º
Lada Díaz, Luis	INDRA SISTEMAS, S.A.	Director
	ENCE, ENERGÍA Y CELULOSA, S.A.	Director
Aldecoa Sagastasoloa, José María	VISCOFAN, S.A.	Director

C.1.13 Indicate and, where applicable, explain whether or not the Board of Directors' Regulations has established rules on the maximum number of companies' boards its directors may be a part of:

Yes X **No**

Explanation of the rules
Article 10 of the Board of Director's Regulations establishes rules on the maximum number of companies' boards its directors may be a part of: "***Article 10. Incompatibilities for becoming a Director*** *The following individuals cannot be Directors or, where applicable, natural person representatives of a Legal Entity Director:* *(..)* *b) Any individual acting in the position of administrator of three or more companies whose shares are traded in domestic or foreign securities markets.* *(...)"*

C.1.14 Repealed paragraph.

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	5,273
Amount of the rights accumulated by the current directors regarding pensions (thousands of euros)	1,050
Amount of the rights accumulated by the former directors regarding pensions (thousands of euros)	150

See note (C.1.15) in Section H of this report.

C.1.16 Identify the members of Senior Management who are not also executive directors, and indicate the total accrued remuneration in their favor throughout the year:

Name or company name	Position(s)
Etxeberría Muguruza, Xabier	Executive General Director
Cortajarena Manchado, José Antonio	General Corporate Director and General Secretary
Artazcoz Barrnea, Ignacio	Financial General Director
Mesonero Molina, David	Business Development Director
Zarza Yabar, Félix	Internal Audit Director

Total remuneration for Senior Management (in thousands of euros)	7,166

See note (C.1.16) in Section H of this report.

.1.17 Indicate, where applicable, the identity of the board members which, at the same time, are members of the Board of Directors of other significant shareholder companies and/or entities of its group:

Related board member's name or company name	Related, significant shareholder's name or company name	Relationship description

Detail, where relevant, the relevant relationships different from those in the previous paragraph, of the members of the Board of Directors which relate them to other significant shareholders and/or in entities of its group:

Related board member's name or company name	Related, significant shareholder's name or company name	Relationship description
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.	Compliance Director
Villalba Sánchez, Francisco Javier	IBERDROLA, S.A.	General Director of Networking Business of the Iberdrola group
Codes Calatrava, Gerardo	IBERDROLA, S.A.	Director of Global Regulation Legal Services and Corporate Affairs

See note (C.1.17) in Section H of this report.

C.1.18 Indicate if any amendment was made to the Board's regulations during the year:

Yes ☐ **No X**

Amendment description

C.1.19 Indicate the selection, appointment, re-election, evaluation and resignation of board members procedures. Detail the competent bodies, processes to be followed and the criteria to be used in each procedure.

Selection and appointment procedure:

Article 30 of the Gamesa Bylaws states that the members of the Board of Directors are "appointed or ratified by the General Shareholders Meeting" with the provision that *"if during the period for which they were appointed, the board members leave their positions, the Board of Directors may designate, from among the other shareholders, individuals who should occupy them until the next General Shareholders Meeting*", always in accordance with the provisions contained in the applicable Corporate Enterprises Act and Company Bylaws.

Moreover, in accordance with article 13.2 of the Regulations of the Board of Directors, proposals for appointing directors submitted by the Board of Directors to the General Shareholders Meeting for consideration and the appointment decisions adopted following the co-option procedure must be preceded by: (a) for Independent Directors, a proposal from the Appointments Committee; and (b) in other cases, a report from the cited committee. In this regard, article 13.3 of the cited regulations states that when the Board of Directors declines the proposal or the report from the Appointments Committee mentioned in the above section, it must justify doing so and include a record of it in the minutes.

Further, article 13.4 of the cited Regulations of the Board of Directors states that "*the provisions set forth in this chapter shall be binding notwithstanding the full freedom of the General Shareholders Meeting to decide on the appointment of directors.*"

Finally, article 14 of the cited regulations states that the Board of Directors and Appointments Committee, shall make an effort, within the sphere of their competencies, to ensure that the proposal and election of candidates falls on individuals of renowned reputation, solvency, competence and experience, adding that "*for legal entity directors, the natural person representing it in the performance of the duties related to the position will be subject to the conditions included in the previous paragraph*".

Re-election procedure:

Article 15 of the Regulations of the Board of Directors addresses the re-election of directors in that proposals for re-electing directors submitted by the Board of Directors to the General Shareholders Meeting must be accompanied by the corresponding substantiating report as established by law. The resolution of the Board of Directors to submit the re-election of Independent Directors to the General Shareholders Meeting must be adopted upon proposal of the Appointments Committee, while the re-election of other Directors must have a prior favorable report from this committee.

In this regard, section 2 of the cited article adds that directors who are part of the Appointments Committee must abstain from taking part in the deliberations and votes that affect them.

Finally, section 3 states that "*the re-election of a Director who is part of a committee or who holds an internal position on the Board of Directors or one of its committees will determine his/her continuity in this position without requiring express re-election and notwithstanding the power of revocation which corresponds to the Board of Directors.*"

Assessment procedure:

Article 25.8 of the Regulations of the Board of Directors addresses the director assessment procedure, establishing that the Board of Directors shall assess at least once yearly (a) the quality and effectiveness of its operation; (b) the performance of duties of the Chairman of the Board of Directors, and if applicable, of the CEO and Coordinating Director, based on the report submitted to the Appointments Committee; and (c) the operation of the committees based on the reports they submit to the Board of Directors.

Removal procedure:

In keeping with Company Bylaws, directors shall serve in their position for a period of four years, so long as the General Shareholders Meeting does not agree on their removal and they do not resign from their position.

Article 16 of the Regulations of the Board of Directors states that *"directors will cease their position once the period for which they were appointed has elapsed, though they may nevertheless be re-elected, and whenever the General Shareholders Meeting decides to do so as proposed by the Board of Directors or the shareholders, in the terms set forth by law*."

The removal processes and criteria shall follow the relevant provisions in the Corporate Enterprises Act and Royal Decree 1784/1996 of 19 July, which approved the Companies Register Regulation.

Finally, section 2 of article 16 of the Regulations of the Board of Directors contemplates the circumstances in which directors must offer their position to the Board of Directors and formalize their resignation, should the Board sees fit to do so, subject to a report from the Appointments Committee.

C.1.20 Explain to which extent the annual evaluation of the Board resulted in important changes in its internal organization and the procedures applicable to its activities:

Amendment description
GAMESA has count on the support of external advisors for the assessment of the administration bodies in 2016, resulting in no changes in the internal organization and in the procedures applicable to its activities.

C.1.20.bis Describe the assessment process and areas assessed by the board of directors with the assistance, where pertinent, of an external consultant, regarding the diversity in the composition, capacities and operations thereof; composition of the board's committees; performance of the chairman of the board of directors and chief executive officer of the company; and the performance and contribution of each director.

The assessments conducted during 2016, as well as in the two previous years were carried out with the support of external consultants. The assessment process was carried out through preparatory work sessions led by the Chairman of the Appointments Committee with the participation of the directors from the cited Committee, assistance from the Secretary of the Committee and internal areas responsible for the corporate governance of the Company, the review of minutes and internal Company documentation, and, finally, through a comparative analysis with the best practices in corporate governance.

The areas assessed for the Board of Directors and Committees were the composition, operation, implementation of capacities, discharge of duties, and the relationship with other bodies. The Chairman of the Board and CEO were assessed in the same areas regarding the role's profile, implementation of capacities, discharge of duties, and the relationship with other bodies. The individual assessment of each director examined the same aspects on the profile and implementation of capacities.

C.1.20.ter Provide a breakdown, if necessary, of the business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group.

N/A

C.1.21 Indicate the circumstances in which directors are required to resign.

As established in Article 16.2 of the Board of Director's Regulations, *"directors or the natural person representing a Legal Entity Director must offer their resignation to the Board of Directors and formalize it, if the Board sees fit, subject to a report provided by the Appointments and Remuneration Committee in the following cases:*

a) Concerning Proprietary Directors, whenever these or the shareholder they represent cease to be the owners of significant stocks in the Company, as well as when such shareholders revoke representation.
b) Concerning Executive Directors, when they are removed from the executive positions associated with their appointment as Director and, in all cases, whenever the Board of Directors considers it necessary.
c) Concerning Non-executive Directors, when they join the management of the Company or of any of the companies in the Group.
d) When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards.
e) Whenever they are brought to trial for a supposedly criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Capital Company Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense brought by supervisory authorities.
f) Whenever they are issued a serious warning by the Board of Directors or are sanctioned for a serious or very serious offense by a public authority for having breached their duties as Directors in the Company.
g) Whenever their continuity on the Board of Directors could put the Company's interests at risk, or whenever the reasons for their appointment have ceased to exist.
h) When, due to acts attributable to the Director acting in his/her capacity as such, cause significant damage to the Company's assets, or the reputation of the Company, or result in the loss of the business and professional reputation and credibility required for being a Director of the Company.

See note (C.1.21) in Section H of this report.

C.1.22 Repealed paragraph.

C.1.23 Are enforced majorities other than the legal majorities required in certain kinds of decisions?

Yes X **No ☐**

Where applicable, describe the differences.

Description of the differences
The Regulations of the Board of Directors (article 4.4) requires of at least two-thirds of the directors attending the meeting to pass amendment thereof (save for modifications imposed by mandatory standards, in which case a simple majority will be required to adopt the resolution). Article 18.3 of the Regulations of the Board of Directors stipulates that in case the position of Chairman of the Board of Directors is held by an executive director, "removal from the position of this director will require the absolute majority of the members of the Board of Directors." In addition, article 29.8 of the cited regulations states that the formalization of the contract establishing the remuneration and further terms and conditions of executive directors for the performance of management duties, must be approved by the Board of Directors with at least a favorable vote of two-thirds of its members.

C.1.24 Explain if there are specific requirements, other than those regarding directors, to be appointed chairman of the Board of Directors.

Yes ☐ **No X**

Description of the requirements

C.1.25 Indicate if the chairman has a casting vote:

Yes X **No X ☐**

Matters in which there is a casting vote
Article 32.4 of the By-Laws and article 28.2 of the Board of Director's Regulations establishes that *"in the event of a tie, the Chairman will have the casting vote."*

C.1.26 Indicate if the by-laws or the Board of Director's Regulations establish a limit for the age of directors:

Yes □ **No X**

Chairman age limit □

CEO age limit □ **Director age limit** □

C.1.27 Indicate if the by-laws or the Board's Regulations establish a limited term for independent directors, other than that established in the legislation:

Yes □ **No X**

Maximum number of term years	

C.1.28 Indicate if the bylaws or regulations of the board of directors establish specific standards for awarding a proxy vote on the board of directors, how to do so and, specifically, the maximum number of awarded proxy votes a director can have, as well as whether there is any limitation insofar as the categories that can be delegated in addition to the limitations imposed by legislation. Where applicable, detail these standards briefly.

Article 25.3 of the Regulations of the Board of Directors states that *"directors must attend the sessions held. However, Directors may cast their vote in writing or delegate in writing their representation to another Director, specifically for each meeting, and the number of representations that each Director can receive is not limited. Non-executive directors may only delegate representation to other non-executive directors."*

For the purposes of delegating votes, in all calls of the Board of Directors, the specific proxy award model for that meeting and, where applicable, voting instructions if deemed necessary by the representee are included in compliance with Article 32.2 of the by-laws of GAMESA *"Any director may cast his/her vote in writing or confer his/her representation to another director, specifically for each meeting. Non-executive directors may only do so with other non-executive directors."*

C.1.29 Indicate the number of meetings held by the Board of Directors throughout the year. Also indicate, where applicable, the times the board has met without the attendance of its chairman. Representations made with specific instructions shall be considered attendances in the calculation.

Number of board meetings	17
Number of board meetings without attendance of the chairman	0

If the chairman is executive director, indicate the number of meetings held, without the attendance or representation of any executive director and chaired by the lead independent director.

Number of meetings	0

Indicate the number of meetings held by the different board committees throughout the year:

Number of meetings of the Executive Committee	10
Number of meetings of the Audit Committee	16
Number of meetings of the Appointment and Remuneration Committee	--
Number of meetings of the Appointment Committee	6
Number of meetings of the Remuneration Committee	8
Number of meetings of the ______ committee	

C.1.30 Indicate the number of meetings held by the Board of Directors throughout the year which all of its members attended. Representations made with specific instructions shall be considered attendances in the calculation:

Number of meetings with the attendance of all directors	14
% of attendances of the total votes throughout the year	98,53%

See note (C.1.30) in Section H of this report.

C.1.31 Indicate if the individual and consolidated annual financial statements presented to the Board for their approval are previously certified:

Yes ☐ **No X**

Identify, where applicable, the person/people who certified the company's individual and consolidated annual financial statements for them to be drawn up by the Board:

Name	Position

C.1.32 Explain, if there were any, the mechanisms put in place by the Board of Directors to keep its drawn up individual and consolidated financial statements from being presented in the General Meeting with exceptions in the audit report.

In its article 6, the Audit and Compliance Committee Regulations, attributes the Audit and Compliance Committee, among others, the following competencies in relation to the account auditing:

"d)Serve as a channel of communication between the Board of Directors and the auditor, ensuring that the Board of Directors holds an annual meeting with the auditor to be informed on the work carried out, the evolution of the accounting position and the risks.

e) Request from the auditor on a regular basis information about the audit plan and its implementation and any other matters related to the audit process, as well as all other communications provided for in the current audit legislation.

f) Assess the results of each audit and the management team's response to its recommendations.

g) Review the content of audit reports before they are issued and, where applicable, the content of limited review reports on interim statements, ensuring that said content and the opinions expressed therein regarding the annual financial statements are drafted by the auditor clearly, precisely and without limitations or exceptions and, should any exist, explaining them to the shareholders."

Article 8 of the Audit and Compliance Committee Regulations shall also be pointed out, which details the following main functions of the aforementioned Committee in relation to the process of preparing the economic-financial information:

"a)Oversee the preparation, presentation and integrity of economic and financial information relating to the Company and its consolidated Group, as well as the correct delimitation of the latter.

b) With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.

c) Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.

d) Oversee compliance with legal requirements and the correct application of generally accepted accounting principles, and inform the Board of any significant changes in accounting criteria."

One of the main objectives of the reports from the Audit and Compliance Committee, presented before the entire Board prior to approval of the information is to point out those aspects which may be considered, where applicable, exceptions in the audit report of GAMESA and its Group, formulating, where applicable, the appropriate recommendations to prevent them.

It should also be noted that the External Auditor has appeared before the Audit and Compliance Committee on several occasions throughout the year which ended December 31, 2016:

- appearance on February 23, 2016 regarding drawing up the annual financial statements which refer to the year that ended on December 31, 2015.

- appearance on June 13, 2016 regarding the accounting impact of the merger operation with Siemens.

- appearance on June 20, 2016 regarding the recommendations to improve the system for internal control over financial information.

- appearance on July 26, 2016 regarding the limited review of transitional financial statements on June 30, 2016;

- appearance on December 15, 2016 regarding the most relevant aspects which were identified in the preliminary phase and regard the annual financial statements of the year which ended December 31, 2016.

C.1.33 Is the Board secretary a director?

Yes X **No X**

If the secretary is not a member of the Board fill in the following box:

Name or company name of the secretary	Representative

See note (C.1.33) in Section H of this report.

C.1.34 Repealed paragraph.

C.1.35 Indicate, if there were any, the concrete mechanisms put in place by the Company to preserve the independence of external auditors, financial analysts, the investment banks and rating agencies.

Article 6 c) of the Audit and Compliance Committee regulates the function of the aforementioned Committee regarding the independence of the external auditors establishing the following main functions:

"c) Ensure the independence of auditors. For such purposes:

i. It shall establish appropriate relations with the auditor in order to receive information on any matters that could jeopardize the latter's independence.

ii. *It shall ensure that the Company, its Group and the auditor comply with the legal provisions established to assure their independence, as well as those expressly provided for in the Company's Corporate Governance Standards.*

iii. *It shall receive annually from the auditors written confirmation of its independence (both of the audit firm as a whole and the individual members of the work team) from the Company and its Group, as well as information on additional services of any kind rendered by the auditor (or its connected entities) to the Company or any company of its Group, and the corresponding fees accrued, in accordance with current auditing legislation.*

iv. *It shall issue an annual report, which it shall submit to the Board of Directors, prior to the issue of the audit report, expressing an opinion on the independence of the auditors. In particular, the report shall refer to services other than those of auditing which the auditor, or any company of its group, has rendered to the Company or its Group in the last three years, providing an individual and joint assessment thereof.*

The report shall also deliver an opinion on compliance with the rules laid down by law and the Company's Corporate Governance Standards to guarantee the independence of auditors.

v. *It shall authorize services other than those of auditing to be rendered by the auditor, insofar as the rendering of such services is permitted by law and the Company's Corporate Governance Standards.*

vi. *In the event of resignation of an auditor, the Committee shall examine the reasons behind this."*

Regarding information to the financial analysts and investment banks, the presentation of results, and other relevant documents which the Company sends, this is done for each one simultaneously after they were sent to the CNMV.

Specifically, in compliance with the Recommendation from the CNMV dated December 22, 2005, GAMESA proceeds to announce the findings with analysts and investors with a prior notice of at least seven workdays, indicating the expected date and time for holding the meeting, as well as, where appropriate, the technical means (teleconference, webcast) through which any interested party may follow it directly.

The supporting documentation for the meeting is available through the Company's website (www.gamesacorp.com) a few minutes before it starts.

Also, a direct Spanish/English translation service is made available to the participants.

Finally, the recording of the meeting is made available to the investors on the Company's website (www.gamesacorp.com) for one month.

Likewise, *road shows* are held regularly in the most relevant countries and banking centers where individual meetings are held with all market agents. Their independence is protected by the existence of a specific representative dedicated to their service, which ensures objective, equal and non-discriminatory treatment.

At last it shall be pointed out that on September 23, 2015, the Board of Directors approved a “Policy on communications and contact with shareholders, institutional investors and voting advisors” that establishes the appropriate principles and measures that shall govern the management and supervision of the information disclosed to shareholders and the markets and the relationships with the shareholders, institutional investors and proxy advisors, with the aim to protect the exercise of its rights in the frame of the corporate interest defense.

See note (C.1.35) in Section H of this report.

C.1.36 Indicate if the Company has changed external auditors during the year. Where appropriate, identify the outgoing and incoming auditor:

Yes ☐ **No X**

Outgoing auditor	Incoming auditor

Explain the content of disagreements with the outgoing auditor if there were any:

Yes ☐ **No** ☐

Explanation of the disagreements

C.1.37 Indicate if the auditing firm carries out other tasks for the Company and/or its Group not related to auditing and in that case, declare the amount of fees received for these tasks and the percentage imposed on the fees billed to the Company and/or its Group:

Yes X **No** ☐

	Company	Group	Total
Amount for other tasks not related to auditing (thousands of euros)	44	101	145
Amount for tasks not related to auditing / Total amount billed by the auditing firm (in %)	2.49	5.70	8.19

C.1.38 Indicate if the report on the previous year's annual financial statements audit contains reservations or exceptions. Where appropriate, indicate the reasons given by the Audit Committee Chairman to explain the content and scope of these reservations or exceptions.

Yes ☐ **No X**

Explanation of the reasons

C.1.39 Indicate the number of years which the current auditing firm has carried out the audit of the Company's and/ or its Group's annual financial statements without interruption. Likewise, indicate the percentage which represents the number of years audited by the current auditing firm over the total number of years in which the annual financial statements have been audited

	Company	**Group**
Number of uninterrupted years	3	3

	Company	**Group**
No. of years audited by the current auditing firm / No. of years that the company has been audited (in %)	11,54%	11,54%

C.1.40 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having external advice:

Yes X **No X** ☐

Detail of the procedure
Article 36 of the Regulations of the Board of Directors establishes that the *"Board of Directors may request the assistance from legal, accounting and financial experts, or other external experts at the Company's expense whenever deemed necessary or beneficial for the performance of its competencies. 2. Non-executive Directors, in order to be aided in the performance of their duties, may also request contracting external experts at the Company's expense. 3. The contracting request must be drawn up by the Chairman."* Similarly, article 31 of the Regulations of the Audit and Compliance Committee establishes that *"with a view to receiving assistance in the discharge of its duties, the Committee may request the commissioning of legal, accounting and financial consultants or other experts at the expense of the company."*

The Appointments and Remuneration Committees both contemplate identically in the respective articles 22 and 21 in their Regulations that *"with a view to receiving assistance in the discharge of its duties, the Committee may request the commissioning of legal consultants or other experts at the expense of the company."*

C.1.41 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having the necessary information for preparing the meetings of the administrative bodies with enough time:

Yes X **No** ☐

Detail of the procedure
Article 26.3 of the Regulations of the Board of Directors regulates the procedure for convening the meetings of the cited body, indicated that "*"ordinary meetings shall be convened by any written means that ensures correct receipt, and shall be authorized by the signature of the Chairman or the Secretary by order of the Chairman. The call to convene shall be a least three days in advance, will always include the meeting agenda and will be accompanied by the relevant information for the meeting. The Board of Directors may not make a decision if such information has not been made available to the Directors with the aforementioned three days advance notice. Directors may exceptionally adopt a decision even if the information was not made available within the aforementioned period if they consider it beneficial and no director opposes it."* Likewise, Article 30.2 a) of the Regulations of the Board of Directors establishes that directors are required to "*diligently inform themselves and prepare the meetings of the Board of Directors and the committees of which they are members."* Additionally, article 34 of the Regulations of the Board of Directors states that Directors *"have the right to request and the duty to call on the Company for the necessary and appropriate information for correctly discharging their duties. The right of information is also extended to the companies of the Group in the terms set forth by the law and the Corporate Governance Standards. 2. The exercise of the information powers will be channeled through the Chairman, the CEO or the Secretary of the Board of Directors."*

C.1.42 Indicate and, where appropriate detail, if the Company has established rules that require directors to inform and, where appropriate, resign in circumstances which may affect the company's credibility/standing and reputation:

Yes X **No**

Explain the rules
As indicated in previous Section C.1.21, Article 16 of the Regulations of the Board of Directors establishes the circumstances in which directors shall offer their position to the Board of Directors and formalize their resignation if the Board sees fit. These include cases which may negatively affect the company's credibility/standing and reputation. Specifically, the directors must proceed as indicated: a) *"When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards."* (article 16.2.d). b) *"Whenever they are brought to trial for an alleged criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Corporate Enterprises Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense prosecuted by supervisory authorities."* (article 16.2.e). c) *"Whenever they are issued a serious warning by the Board of Directors or sanctioned for a serious or very serious offense by a public authority for having breached their duties as directors in the company"* (article 16.2.f). d) *"Whenever their continuity on the Board of Directors may put the Company's interests at risk (...)"* (article 16.2.g). e) *"When, due to acts attributable to the director acting in his/her capacity as such, significant damage occurs to the Company's assets or reputation of the Company, or there is a loss of business, professional reputation and credibility required for being a director of the Company"* (article 16.2.h). Article 35.2 d) of the Regulations of the Board of Directors states that the director must inform the Company of "*judicial, administrative or any other kind of proceedings which are opened against the director and which, due to their importance or characteristics, may seriously affect the Company's reputation. Particularly, Directors must inform the Company, through the Chairman, if he/she is processed or a court ruling is passed against him/her regarding the opening of trial for any of the offenses contemplated in Article 213 of the Corporate Enterprises Act. In such cases, the Board of Directors will examine the case as soon as possible and make the decisions it considers to be most appropriate regarding the interests of the Company."*

C.1.43 Indicate if any member of the Board of Directors has informed the Company that he or she has been involved in judicial proceedings or a court ruling has been passed against him/her for the opening of trial for any of the offenses mentioned in Article 213 of the Capital Companies Law:

Yes □ **No X**

Director name	Criminal case	Observations

Indicate if the Board of Directors has analyzed the case. If the response is yes, reasonably explain the decision made on whether or not the director continues in his/her position or, where appropriate, state the actions taken by the Board of Directors to the date of this report or that are planned.

Yes □ **No** □

Decision made/action taken	Reasonable explanation

C.1.44 Detail the significant agreements the Company has entered into which enter into force, whether amended or terminated if the Company's control is changed due to a public acquisition bid, and its effects.

In accordance with the framework agreement undersigned on December 21, 2011 (Significant Event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L. Unipersonal, the supposed change of control at GAMESA CORPORACIÓN TECNOLÓGICA, S.A. shall permit IBERDROLA, S.A. to terminate the framework agreement, without the parties having something of which to make a claim for this termination.

Likewise, in accordance to the Joint Venture agreement signed on July 7, 2014 (Significant event number 208151) between AREVA, S.A. and GAMESA CORPORACIÓN TECNOLÓGICA, S.A., among other companies in their respective groups, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. in favor of a competitor shall enable the parties of the AREVA group to finish the agreement, situation that may lead to the sale to AREVA of the participation owned by GAMESA in the Joint Venture or, as last instance, the dissolution and liquidation of the aforementioned Joint Venture company.

Lastly, on 17 December 2015, Gamesa Energía, S.A.U. (as purchaser) and GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L.; INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U.; CAF POWER & AUTOMATION, S.L.U.; and FUNDACION TECNALIA RESEARCH & INNOVATION (as sellers) signed a Stock Purchase Agreement bound to suspensory conditions regulating the acquisition of 50% of NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L. (NEM). The suspensory condition was the authorization of the CNMV and Competition Authorities as established in article 7.1.c) of the Spanish Competition Act (Law 15/2007 of 3 July). On the same date, and with a view to regulating the relationship of Gamesa Energía and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF) as future partners of NEM (as the case may be) the parties signed a Partnership Agreement. By virtue of the provisions established in the referred Partnership Agreement, in case of a possible change in the control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., Gamesa Energía, S.A.U. must offer the remaining partners direct purchase of stock in NEM.

See note (C.1.44) in Section H of this report.

C.1.45 Identify in an aggregated manner and indicate, in a detailed manner, the agreements between the companies and its administrative and management positions or employees which have severance pay, guarantee or redundancy clauses when they resign or are fired unjustly or if the contractual relationship ends due to a public acquisition bid or other kind of operations.

Number of beneficiaries	23
Type of beneficiary	**Description of the agreement**
CEO, Senior Management and Managers	A severance pay of a different amount is recognized based on the specific position occupied by the beneficiary, which mainly ranges from 12 to 24 months of fixed remuneration and the last received annual variable remuneration. This severance pay essentially applies to cases of termination for causes not attributable to the beneficiary and cases in which control of the Company changes.

Indicate if these contracts must be communicated and/or approved by the bodies of the Company or of its Group:

	Board of Directors	General Meeting
Body which authorizes the clauses	X	

	YES	NO
Is the Board informed of the clauses at the General Meeting?	X	

See note (C.1.45) in Section H of this report.

C.2 Committees of the Board of Directors

C.2.1 Detail all committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors on them:

EXECUTIVE COMMITTEE

Name	Position	Category
Martín San Vicente, Ignacio	Chairman	Executive
Arregui Ciarsolo, Juan Luis	Member	Independent External
Aldecoa Sagastasoloa, José María	Member	Independent External
Lada Díaz, Luis	Member	Independent External
Codes Calatrava, Gerardo	Member	Proprietary External

% of executive directors	20%
% of proprietary directors	20%
% of independent directors	60%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

Article 23 of the Regulations of the Board of Directors states that the Board of Directors may constitute a Delegated Executive Committee "*with all or some of the inherent powers of the Board of Directors, save powers that cannot be delegated by law or in accordance with the Corporate Governance Standards.*"

However, as an exception to the foregoing and as contemplated under article 8 of the cited regulations, when duly justified urgent circumstances arise, and as allowed by law, the Delegated Executive Committee may adopted decisions on matters reserved for the Board of Directors, which must be ratified at the first meeting held by the Board of Directors after making the decision.

Organization:

a) It shall comprise the number of Directors as decided upon by the Board of Directors, upon the proposal of the Appointments and Remuneration Committee, with a minimum of four (4) and a maximum of eight (8) Directors.

b) The Board of Directors shall ensure, to the extent possible and in view of the Company's circumstances, that the shareholding structure of the director categories is similar to the Board of Directors' structure.

c) The appointment of its members and the permanent delegation of powers thereto shall be done by the Board of Directors, and requires a favorable vote of at least two thirds of the Directors. The Board of Directors shall decide when, how and to what extent the Committee members are renewed.

d) The Chairman and the CEO, if one exists, shall be members of the Committee.

e) The meetings shall be presided over by the Chairman of the Board of Directors or, in the absence thereof, the director appointed by the Committee. This role will also be secretary of the Board of Directors, though in his/her absence, the Vice Secretary or, in the absence thereof, the individual designated by the Committee, who need not be a director, shall sit as secretary.

Operation:

a) It will meet as frequently as deemed appropriate by its chairman and, at least, every two (2) months. Meetings will be held whenever a minimum of two of the members so request.
b) Agreements shall be adopted by an absolute majority of present and represented votes. In case of a tie, the Chairman shall have the casting vote.
c) The Board of Directors must be informed during its first meeting after said meetings, of the items discussed, the decisions adopted and will send it a copy of its minutes.

Most significant actions:

The Delegated Executive Committee has discharged its duties according to the internal rules and regulations of the Company, underscoring its approval to the Board of Directors for matters that, while not constituting capacities that could not be delegated to the Board, could have been handled by the Delegated Executive Committee.

Indicate if the composition of the Executive Committee reflects the shareholding of different directors according to their condition on the Board:

Yes X **No** ☐

If no, explain the composition of your Executive Committee

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
Hernández García, Gloria	Chairman	Independent External
Rubio Reinoso, Sonsoles	Member	Proprietary External
Vázquez Egusquiza, José María	Member	Independent External
Aracama Yoldi, José María	Member	Independent External

% of executive directors	0%
% of proprietary directors	25%
% of independent directors	75%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

Gamesa's Audit and Compliance Committee is a permanent internal body of the Board of Directors for information and consultation, entrusted with informing, advising and making recommendations.

Articles 5, 6, 7 8, 9, 10, 11 and 12 in chapter II of the Regulations of the Audit and Compliance Committee establish the duties of this committee. The full text of Company internal rules and regulations are available at www.gamesacorp.com

The duties of the Audit and Compliance Committee primarily refer to the oversight of the Company's internal audit, at the revision of the internal control systems for drawing up economic-financial information, auditing accounts and compliance in the terms established in its regulations.

Organization:

a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.

b) Members of the Executive Committee cannot be on the Audit and Compliance Committee.

c) The Board will procure that at least one of the appointed independent directors has knowledge and experience in accounting, auditing or both.

d) The Committee shall appoint a Chairperson among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.

e) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.

f) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.

b) It shall be validly constituted when more than half of its members are present or represented at the meeting.

c) Agreements shall be adopted by the absolute majority of members present at the meeting.

d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

Articles 5 through 12 of the Regulations of the Audit and Compliance Committee and Article 529 quaterdecies of the Corporate Enterprises Act limit the duties of the Audit and Compliance Committee. During 2016, the Audit and Compliance Committee was informed of all the matters within its capacity and, in this context, has satisfactorily discharged the duties assigned by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations. It shall be pointed out that one of the most significant actions during the fiscal year has been the release of its report about the merger of Gamesa with Siemens Wind Holdco in fulfillment of article 12 j) of the Audit and Compliance Committee Regulations and of the recommendation 44 of the Good Governance Code.

Identify the director member of the Audit Committee that has been appointed taking into account his/her knowledge and experience in accountancy, auditing or in both and inform about the number of years that the Chairman of this Committee is in his/her post.

Name of the director with experience	Gloria Hernández García
Number of years of the chairman in the post	Since May 27, 2015

APPOINTMENTS COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Aracama Yoldi, José María	Member	Independent External
Villalba Sánchez, Francisco Javier	Member	Proprietary External

% of executive directors	0%
% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

This committee is an internal body of the Board of Directors for information and consultation, albeit with no executive functions, entrusted with informing, advising and making recommendations regarding matters within its capacities.

Articles 5, 6 and 7 in chapter II of the *Regulations of the Appointments Committee* establish the duties of the Appointments Committee. In particular, the primary function of the Committee is to oversee the composition and functioning of the Company's Board of Directors and Senior Management.

The full text of Company internal rules and regulations are available at www.gamesacorp.com

Organization:

a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.

b) A Chairperson shall be appointed among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.

c) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.

d) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.

b) It shall be validly constituted when more than half of its members are present or represented at the meeting.

c) Agreements shall be adopted by the absolute majority of members present at the meeting.

d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2016 the Appointment Committee was informed of all the matters of its capacity and, in this context, satisfactorily discharged with the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations. It shall be pointed out as one of the most significant actions of the Appointment Committee during 2016 the selection of new Directors and in particular, the selection of the Directors whose appointment was submitted to approval at the Extraordinary Shareholders' General Meeting on October 25, 2016.

REMUNERATION COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Arregui Ciarsolo, Juan Luis	Member	Independent External
Villalba Sánchez, Francisco Javier	Member	Proprietary External

% of executive directors	0%
% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

This committee is a permanent internal body of the Board of Directors for information and consultation, entrusted with informing, advising and making recommendations.

Articles 5 and 6 in chapter II of the *Regulations of the Remuneration Committee* establish the duties of the Remuneration Committee. In particular, the essential function of the Remuneration Committee is to oversee the remuneration of the Company's Board of Directors and Senior Management.

The full text of Company internal rules and regulations are available at www.gamesacorp.com

Organization:

a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.

b) A Chairperson shall be appointed among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.

c) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.

d) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.

b) It shall be validly constituted when more than half of its members are present or represented at the meeting.

c) Agreements shall be adopted by the absolute majority of members present at the meeting.

d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2016 the Remuneration Committee was informed of all the matters of its capacity and, in this context, satisfactorily discharged with the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations.

See note (C.2.1) in Section H of this report.

C.2.2 Fill out the following table with the information related to the number of female board members on the Board of Directors' committees over the closing of the last four years:

	Number of female board members							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	1	20.00%	1	20.00%
Audit and Compliance Committee	2	50.00%	2	50.00%	1	25.00%	1	33.33%
Appointment Committee	0	0.00%	0	0.00%	N/A		N/A	
Remuneration Committee	0	0.00%	1	33.33%	N/A		N/A	

C.2.3 Repealed paragraph.

C.2.4 Repealed paragraph.

C.2.5 Indicate, where appropriate, the existence of regulations for the Board's committees, the place where they can be reached for consultation, and amendments made throughout the year. In turn, it shall be indicated whether an annual report on the activities of each committee was drawn up voluntarily.

Audit and Compliance Committee

The Audit and Compliance Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Audit and Compliance Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Regulations of the Audit and Compliance Committee were approved by the Gamesa Board of Directors on 29 September 2004 and subsequently amended on 21 October 2008. A new revised text was approved on 15 April 2011 and subsequently amended on 20 January 2012. Finally, the Company's Board of Directors approved the currently valid version of the revised text of these regulations on 24 March 2015.

In accordance with Article 12 g) of the Regulations of the Audit and Compliance Committee, this committee has the duty to draw up an annual report on its activities, submitting it to the Board of Directors for approval and subsequently made available to the shareholders at the time of notice of the Ordinary General Shareholders Meeting.

Appointments Committee

The Appointments Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Appointments Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Appointment Committee Regulations were approved by the Board of Directors of Gamesa on December 16, 2015.

Article 18 of the Regulations of the Appointments Committee establishes the obligation of said committee to draw up a yearly report on its activities to be made available to Company shareholders and investors following approval thereof by the Board of Directors at the call to convene the ordinary General Shareholders Meeting.

Remuneration Committee

The Remuneration Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Remuneration Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Remuneration Committee Regulations were approved by the Board of Directors of Gamesa on December 16, 2015.

Article 17 of the Regulations of the Remuneration Committee establishes this committee's duty to draw up a yearly report of its activities that will be made available to Company shareholders and investors following approval by the Board of Directors, for the call to convene the ordinary General Shareholders Meeting.

See note (C.2.5) in Section H of this report.

C.2.6 Repealed paragraph.

D RELATED PARTY TRANSACTIONS AND INTERGROUP TRANSACTIONS

D.1 Explain, where appropriate, the procedure for approving related party transactions and intergroup transactions.

Procedure for approving related party transactions
Article 33 of the Regulations of the Board of Directors, which regulates the transactions of the Company with shareholders holding significant stock and directors, establishes that "*the performance of any transaction by the Company with Directors or shareholders with significant participation, or who have proposed the appointment of any Director of the Company, is subject to the approval of the Board of Directors or the General Shareholders Meeting following a report from the Audit and Compliance Committee and in the terms established by law.* *If there are transactions that fall within a general line of business and are of a habitual or recurring nature, a general and prior authorization of the line of transactions by the Board of Directors will suffice.* *Transactions must be made in market conditions and in observance of the principle of equal treatment of shareholders.*" In this regard, article 12 a) of the Regulations of the Audit and Compliance Committee refers to the report that the Audit and Compliance Committee must submit with the operations or transactions that could represent a conflict of interests.

D.2 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the Company's significant shareholders:

Significant shareholder's name or company name	**Name or company name of the company or entity of its group**	**Type of relationship**	**Type of transaction**	**Amount (thousands of euros)**
IBERDROLA, S.A.	GAMESA EÓLICA, S.L.U.	Contractual	Sale of assets	596,662

See note (D.2) in Section H of this report.

D.3 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the company's administrators or managers:

Name or company name of the administrators or managers	Name or company name of the related party	Relation	Type of transaction	Amount (thousands of euros)

D.4 Report on the significant transactions made by the Company with other entities belonging to the same group, whenever they are not deleted in the process of drawing up the consolidated financial statements and do not form part of the normal traffic of the Company regarding its purpose and conditions.

In any case, any intergroup transaction made with entities established in countries or regions which are considered a tax haven shall be reported:

Company name of the entity in its group	Brief description of the transaction	Amount (thousands of euros)

See note (D.4) in Section H of this report.

D.5 Indicate the amount of transactions made with other related parties.

97,704 thousand euros.

See note (D.5) in Section H of this report.

D.6 Detail the mechanisms put in place to detect, determine and resolve any conflicts of interest between the Company and/or its Group, and its directors, executives or significant shareholders.

Mechanisms:

a) *Possible conflicts of interest between the Company and/or its Group, and its directors*:

Article 31 of the Regulations of the Board of Directors regulates the conflicts of interest between the Company or any other company of its Group and its directors. In particular, paragraphs 1 and 2 define the situations in which a director has a conflict of interest and lists persons who, given that they are considered linked thereto, could generate situations of conflicts of interest.

Likewise, the following sections in this article regulate the mechanisms for resolving situations of conflict of interest. In particular, paragraphs 3 and 4 establish that 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 refrain from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters affecting the conflict. The votes of Directors affected by the conflict and who, therefore, had to abstain, will not be taken into account for calculating the required majority of votes to adopt a corresponding resolution.

The following paragraph in article 31 of the Regulations of the Board of Directors clarifies that "in unique cases, the Board of Directors or the General Shareholders Meeting, as appropriate and in accordance with the terms provided by law, may waive the prohibitions arising from the duty to avoid conflicts of interest". Further, paragraph specifies that such waive shall follow the corresponding report from the (a) Audit and Compliance Committee on the operation vulnerable to a potential conflict of interest, proposing the adoption of an agreement in this regard, or from the (b) Appointments or Remuneration Committee when referring to waiving the performance of contractual obligations.

Paragraph 7 of the cited article states that "the Chairman of the Board of Directors must include the transaction and the conflict of interest in question on the agenda of the next corresponding meeting of the Board of Directors so that it may adopt a resolution as soon as possible regarding the issue, on the basis of the report drawn up by the corresponding committee, deciding whether to approve the transaction, or the alternative that may have been proposed, as well as the specific measures to be adopted."

Finally, paragraphs 8 and 9 states that the Company's annual corporate governance report shall include conflict-of-interest situations involving directors or persons related thereto, and that the report of the annual financial statements shall detail the operations in conflict of interest that have been authorized by the Board of Directors, as well as any other existing conflict of interest pursuant to the provisions of current legislation during the financial year of the financial statements.

b) *Possible conflicts of interest between the Company and/or its Group, and its managers:*

Company and Group senior management and professionals who, given their activities or information to which they may have access, are classified as Affected Persons (as defined in article 6 of Gamesa's Internal Regulations for Conduct in the Securities Markets) by the Ethics and Compliance Division, will be subject to the Internal Regulations for Conduct in the Securities Markets, whose most recently revised version was approved on 24 March 2015.

In this regard, article 20 of the Internal Regulations for Conduct in the Securities Markets establishes that managers and professionals considered to be Affected Persons must immediately inform their supervisor or senior manager or the Ethics and Compliance Division of situations that could potentially give rise to a conflict of interest and keep such bodies permanently up to date with regard to said situations. Any concerns regarding the actual existence of a conflict of interest must be addressed with the Ethics and Compliance Division.

c) *Possible conflicts of interest between the company and/or its group and significant shareholders:*

The procedure for resolution of conflicts of interest with significant shareholders is stipulated in article 33 of the Regulations of the Board of Directors, according to which any operation between the Company and a significant shareholder "is subject to the approval of the Board of Directors or the General Shareholders Meeting following a report from the Audit and Compliance Committee and in the terms established by law."

The cited articled states that if the previous transactions fall within the ordinary course of business and are of a regular or recurring nature, "a generic and prior authorization of the line of transactions by the Board of Directors will suffice."

In any case, "transactions must be made in market conditions and in observance of the principle of equal treatment of shareholders."

d) *Relationships of the directors and/or significant shareholders with companies of the Group:*

Article 37 of the Regulations of the Board of Directors states that the obligations referred to in Chapter IX therein regarding Company directors and shareholders holding significant stock shall also be construed as applicable, similarly, insofar as the possible relationships between Gamesa and companies integrated in the Group.

D.7 Do you list more than one company of the Group in Spain?

Yes ☐ **No X**

Identify the subsidiary companies listed in Spain:

Listed subsidiary companies

Identify if the respective areas of activity and possible business relationships between them, as well as relationships between the listed subsidiary and other Group companies have been accurately and publicly defined;

Yes ☐ **No** ☐

Define any business relationships with the parent company and listed subsidiary company, and between it and other companies of the Group

Identify the mechanisms in place for resolving any conflicts of interest between the listed subsidiary and other companies of the Group:

Mechanisms for resolving possible conflicts of interest

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System, including tax-related risks.

Gamesa has some **Risk Control and Management Systems** encompassed within the standards of **Corporate Governance** within an internal benchmark framework that we refer to as **ERM** (Enterprise Risk Management). ERM is considered to be the highest level on the basis of, firstly, the guidelines established in the Regulations of the Board of Directors (Arts. 6 and 7) and of the delegated Committees thereof, primarily in the Regulations of the Audit and Compliance Committee (Arts. 9 and 11); and secondly, in international methods of recognized repute (COSO, ISO/CD 31000 and *EFQM*).

The **Risk Control and Management Systems in ERM** are promoted by the Board of Directors and Senior Management, implemented throughout the entire organization and, following the strategic globalization line of the industrial, technological and commercial activities in the different geographic areas in which they operate, developing a global and integral vision in these systems, contribute to meeting business objectives, creating value for the different groups of interest and to the sustainable and profitable development of the organization.

The basis for these systems is contained in the **General Risk Control and Management Policy**, initially approved by the Board of Directors on 22 April 2009 and last revised on 23 September 2015. This policy lays the foundation and general context for key ERM elements, which are summarized below. All Company Risk Management systems (global, specific or multidisciplinary) are in line with the following 12 elements to the largest extent possible:

- **ERM 1: The policy** is the essential element providing a consistent structure so that both global and specific systems operate in adherence to common principles (management objectives and philosophy, identification process, assessment, measurement and risk control, accepted risk level, communication, reporting and supervision executed by the Board of Directors and the Audit and Compliance Committee, integrity, ethics, competence and assignment of liabilities).

- **ERM 2:** The systems are applied through an **organization** built upon **four levels of protection and defense** to face and manage significant risks.

- **ERM 3:** The systems are backed by a standard universal risk classification model using a common language in the company referred to as **"Business Risk Model (BRM/BOM)"**, initially approved by the Board of Directors in 2004 and its most recent update (through the Policy in 2015). BRM classifies risks and opportunities into 4 groups, which are in turn subdivided into various subcategories: (1) corporate governance, ethics and compliance risks, (2) strategic and environmental risks, (3) processing risks and (4) risks associated with information for making decisions or legal requirements.

- **ERM 4 and 5:** Establishing the internal and external contexts in which Gamesa carries out activities, with a **proactive and integrated** risk management, **risk tolerance limits and permanent controls** through specific policies and indicators, in which regard the achievement of the valid Business Plan objectives will always be part of these limits and controls together with conduct that remains at all times in strict compliance with the law and the Company's Corporate Governance Standards, and, in particular, the values and standards of conduct contemplated in the Codes of Conduct, principles and good practices of the *Corporate tax policy*, and under the principle of "zero tolerance" regarding the perpetration of crimes and situations of fraud as stipulated in the *Crime Prevention and Fraud Policy.*

- **ERM 6, 7 and 8**: Encompassed entirely by a **global risk management process and diverse sub-processes** that support the **"Top down"-"Bottom up" approach** throughout the entire organization, representing corporate and regional **risk maps** backed by specific risk management systems and the appropriate consistency between "micro- and macro-risks". In this context, continuous identification and analysis of relevant risks and threats (including financial, tax-related, operating, strategic and legal risks, in addition to other associated risks with activities, processes, projects, products and key services); impact assessment, likelihood and degree of control, establishing maps as tools to take action, supervise and communicate risk management.

- **ERM 9: Engagement strategies** (which, depending on the risk type and priority, mitigate, transfer, share and/or forestall risks while shoring up the attainment of opportunities), establishing the appropriate scaling and assignment of management liabilities. Any engagement aimed at controlling and mitigating risks attending to the basic principles of engagement in section 4 of the policy.

- **ERM 10, 11 and 12:** The foregoing backed by some elements across the entire ERM Framework, such as computer tools and IT platforms, audits, preventive observations, Reviews by Management, management of events, training, awareness-raising and activities to promote a culture of risk management.

Risk management in Gamesa's ERM develops on the basis of the application of the principle of continual improvement, audits, self-assessments, benchmarking and through the consideration of bellwethers of recognized repute, in which regard the appraisal conducted by Euskalit in 2016 on Gamesa's global management (and therefore the ERM therein) in accordance with the advanced management model is particularly salient (Gamesa's management model secured a gold level recognition).

E.2 Identify the bodies of the Company that are responsible for developing and implementing the Risk Management System, including tax-related risks.

As the Company's top decision-making, oversight and control level, the **Board of Directors** examines and authorizes all relevant operations. It is also responsible for establishing the general policies and strategies, including the Company's risk control and management policy and tax strategy, and likewise oversee and implement the supervision of internal information and control systems.

The Company's Risk Control and Management Systems are applied through an **organization structured into four tiers of protection and defense** to face and manage significant risks, namely:

1. **Risk management ownership**

The Group's **Management Committee** and **Executive Committee** are responsible, inter alias, for:

- Conducting a comprehensive risk control and management in business and decision-making processes as proprietors of the risks associated with the activities, processes, projects, products and services of the business lines across all geographic areas in which the Company operates.

- Maintaining a suitable continuous risk assessment process, securing the identification, assessment and response (leading the definition and implementation of action plans) vis-à-vis the risks that could affect the attainment of Company objectives. Various risk management collaborators may be involved to carry out this duty.

- Guaranteeing compliance with the procedures concerning risk control and management, ensuring that Gamesa personnel know the risk and control environment of each process affecting them, and adopting the measures necessary or the dissemination of and compliance with the General Risk Control and Management Policy by assigning the necessary resources (human, technological and financial).

Further duties of the Group responsible for creating and executing control and risk management systems are:

- **Committees of each region**: As proprietors of the regional risks, they have duties at this level that are similar to those of the Group's Management Committee.

- **General Finance Division:** In accordance with the Investment and Financing Policy, it centralizes financial risk management throughout the Gamesa Group.

- **Tax Department**: Reporting to the General Finance Division, it ensures compliance with the tax strategy and policy, apprising control and oversight bodies of tax-related criteria and policies applied during the year and the tax risk control. This role manages and ensures due compliance with the tax obligations throughout the Group, assuring that all tax-related decisions are duly substantiated and documented, and are adopted on the appropriate levels in the organization.

2. **Tracking and compliance**

- **Risk Control Department (BRC)**: Reporting to the Internal Audit Division, it participates in defining the risk strategy, good operation and efficiency of the control systems and in mitigating the detected risks; and ensures that the executive line evaluates everything related to the risks of the company, including the operational, technological, legal, social, environmental, political and reputational risks.

- **Ethics and Compliance Division:** Reporting directly to the Audit and Compliance Committee, this division applies the Code of Conduct and Internal Regulations for Conduct in the Securities Markets, and supervises the implementation and compliance with the Crime Prevention and Fraud Policy and manuals.

3. Independent assurance

Internal Audit Division: Directly linked to the Board of Directors, on which it functionally depends through the Audit and Compliance Committee, which allows it to guarantee the independence of its actions.

This division informs, advises and reports to the Audit and Compliance Committee on the risks associated with the balance sheet and the functional activity areas with the existing identification, measurement and control thereof. It therefore executes the annual Internal Audit work plan, reporting the activities executed from this plan and the incidents arising.

4. Supervision

The Board of Directors entrusts the **Group's Audit and Compliance Committee** with duties including:

- Ensure the independence and effectiveness of the Internal Audit, and regularly review the effectiveness of the internal risk control and management systems, including tax-related risks, to properly identify, analyze and report the main risks.

- Ensure that the risk control and management policies identify the different risk types (operational, technological, financial, legal, tax-related, reputational, etc.) affecting the Company and its group, including financial or economic risks, contingent liabilities and other off balance sheet risks, in addition to the risk levels that the Company and the Gamesa Group consider to be acceptable according to the Corporate Governance Standards and the measures contemplated for mitigating the impact of identified risks in case they materialize.

- Inform the Board of Directors, based on the information received from the manager of tax matters, of the tax policies applied by the company and, for operations or matters that must be approved by the Board of Directors, of the fiscal consequences when they constitute a relevant risk factor.

E.3 Indicate the principal risks, including tax-related risks, that could affect the achievement of the business objectives.

In the deployment of the company's strategic and operational planning, Gamesa faces a broad range of risks inherent to the sector in which it carries out its activities and in countries where it operates that could affect the achievement of business objectives.

In general, the Policy defines the term "risk" to be any threat that an event, action or omission could prevent the Gamesa Group from achieving its business objectives and executing its strategies successfully, hence the Risk Control and Management Systems are clearly linked to the strategic planning process and setting of company objectives.

Below is a brief summary of the main risks that could affect the achievement of the objectives set out in the 2015-2017 Business Plan and were monitored in 2016.

- Risks that could affect the objective of "**Solid competitive positioning. Profiting from opportunities for growth in emerging and mature markets**":

  - Market risks arising from price volatility and other variables such as exchange rates.

  - Country-related risks where social-political conditions could affect the interests of Gamesa, and more global risks arising from macroeconomic factors, natural disasters, health and other emerging threats.

  - Tax-related risks arising from local and/or global requirements and direct or indirect burdens.

- Risks that could impact the objective of **"Balance control. Maintaining balance soundness**", including the results:

  - Relevant matters in the activity that could cause asset deterioration.

  - Operational risks (financial and non-financial, including yet not restricted to technology-related, legal, social, environmental, health and safety, information-based and supply chain related risks) that could be incurred in losses as a consequence of the non-existence of inappropriateness of procedures, human resources and systems, or external events and technological failures, etc.

  - Controlling cash flow and structure, continuously improving variable costs.

- Risks that could affect the objective of **"Competitiveness of the portfolio of products and services. Working on the competitiveness of the portfolio of products and services, improving positioning in mature markets**":

  - Competitiveness of the portfolio of products and services: optimization of the launch curve and return on investment in terms of Cost of Energy (CoE) and the contribution margin of new developments.

  - Added-value product developments.

- Risks that could affect the objective of **"Growth beyond 2017**":

  - Continual analysis of the environment and new opportunities: *onshore*, *offshore*, new businesses. Merger agreement with Siemens to create a global leader. Solid strategic rationale with complementary aspects in platforms, markets, businesses, operating capacities and management capabilities.

  - Offshore business development (tracking of the balance control objective).

  - Pressure on prices that solar power and other energy sources and competitors put on wind power

Additionally, monitoring continues on global threats and further risks that, while not directly affecting the achievement of business objectives, nevertheless comprise priority areas for Gamesa, including: environmental care and climate change; risks related to "information system environments such as cyberattacks and system continuity", and other risks related with Corporate Social Responsibility (CSR), e.g., risks affecting the CSR of the supply chain.

The Management Report in the annual report corresponding to 2016 contains a description of the risks associated with Gamesa activities.

E.4 Identify whether the entity has a risk tolerance level, including tax-related risks.

The Risk Management and Control Procedure, which identifies, assesses, prioritizes, controls and manages the risks to which Gamesa is exposed, and decides to what extent such specific risks are acceptable, mitigated, transferred or prevented; was approved and incorporated in the certified management system in 2008 and most recently updated in 2016 to align it with the changes in the Policy and with the risk tolerance concepts extracted from the best practices published by Instituto de Auditores Internos. In this regard, Gamesa has reinforced the concepts of "risk appetite", "risk tolerance" and "risk capacity" during its training sessions throughout 2016.

The risk strategy and tolerance are established by Senior Management based on quantitative variables (indicators) or qualitative variables that let them establish the amount of risk that the company is willing to assume to reach its objectives. The tolerance is updated regularly and at least whenever there are changes in the strategy and/or policies.

Gamesa essentially has 3 ways of establishing risk tolerance levels, which are complementary to one another:

- The Company declares its risk tolerance level through specific and regularly revised policies and internal rules and regulations, including:

  - General Risk Control and Management Policy
  - Corporate Tax Policy
  - Investment and Financing Policy (exchange rate, credit and interest risks)
  - Gamesa Excellence Policy (Health & Safety, environmental respect, quality and energy efficiency)
  - Code of Conduct
  - Crime Prevention and Fraud Policy

- The establishment of objectives or in conformity with strategic regularity for indicators used in monitoring some risks:

  - EBITDA, EBIT, net amount of the business figure, financial expenses, net financial debt, own funds, CAPEX.
  - MW sold (units, type of product/platform, geographical area, etc.), MW in maintenance, contracts signed, quantity and quality of the MW in stock, MW installed in farms, MW in construction.
  - Non-quality costs, target costs, margin of contribution.
  - Frequency index, severity index.

- The use of metrics established in the Risk Control and Management Procedure for assessing the impact according to a series of criteria so that the result, once combined with their likelihood of occurrence, can assess risks as high or moderate when they are considered to exceed the tolerance and thus require mitigation plans. For a certain risk identified and assessed as elevated or moderate, and for which there is also a risk limit that has been or is expected to be exceeded, as many mitigation actions as necessary should be established until the risk returns to its tolerance level.

Following the revision and update of the Risk Control and Management Policy in September 2015, responsibilities received additional definitions insofar as high-levels risk tolerance levels or ones that should be applied to the entire group. Some salient aspects of this revision:

- The Board of Directors approves the specific policies from which the risk levels that the Corporation considers acceptable are derived (risk tolerance criteria) and are aimed at maximizing and protecting the economic value of Gamesa within a controlled variability.

- Gamesa's Delegated Executive Committee will define the specific numerical values for the risk limits stated in the specific policies and/or in the annually set objectives and may decide to modify these values and authorize that, exceptionally, they are exceeded, after a report to the Audit and Compliance Committee, taking into account the proposals of the affected departments. In this context, Gamesa's Delegated Executive Committee defined the specific numeric values of the risk limits associated with the Investment and Financing Policy in 2016.

- The Audit and Compliance Committee ensures that the risk control and management policies identify the risk levels that the company considers acceptable in accordance with its Corporate Governance Standards.

- In accordance with these guidelines, each Group company must approve, in their corresponding governing bodies, the specific risk limits applicable to each one and implement the necessary control mechanisms to ensure compliance with the general policy for risk control and management and the specific limits that affect them.

Once the risks (including tax-related risks) threatening achievement of the objective have been identified, the risk owners or their delegated parties, backed by the Risk Control Department and other support roles, assess these risks with a view to ascertaining their priority and measuring the levels of exposure in terms of tolerance levels to thus establish the required treatment (risk mitigation plans).

In this context, Gamesa undertakes continuous tracking of the exposure levels regarding the risks constituting the BRM model with different frequencies depending on the variability of the risk and ones that are more relevant or significant, i.e., risks that could compromise the achievement of business objectives and affect economic profitability, financial solvency, corporate reputation, integrity of employees and environment, and compliance with legislation.

E.5 Indicate the risks, including tax-related risks, arising during the period.

There was no record in 2016 of material or extraordinary risks aside from those already listed in the management report and annual financial statements report. In any case, there is no record of risks compromising the integrity of the results, strategic objectives or assets of the Company.

The circumstances that, as the case may be, have brought about the occurrence of such risks are inherent to the carrying out of the business, market environment and economic juncture, and the mitigation and control systems set up in the different areas have worked appropriately, and the risks inherent thereto generated no significant incidents in the organization during the last year.

E.6 Explain the response and supervision plans for the main risks of the entity, included tax-related risks.

The geographic and business diversity of Gamesa calls for response and supervision plans for risk (including tax-related) at different levels, all of which globally and uniformly undergo regular supervision by the Management Committee and the Audit and Compliance Committee.

The following are salient as permanent control, supervision and response actions:

- Control exercised by business unit and geographical area managers of the Management Committee with respect to the evolution of the risk maps and mitigation plans.
- Reports to the Audit and Compliance Committee regarding developments in the corporate risk map and individually for significant risks during 2016, in appearances by executives, including the ones focused on supervising specific risk control systems and on risks that are financial (accounts receivable, cash and exchange rates), balance, tax-related, service business unit-related, legal, ethics and compliance in nature.
- Operational risk insurance with annual updates and revision of coverage.
- Diverse financial risk coverages (e.g., volatility of interest and exchange rates) with financial instruments (derivatives).
- External certificates for some management systems covering the control of some specific risks such as occupational risk prevention (in accordance with OHSAS18001), environmental risks (in accordance with ISO 14001) and quality-related risks (in accordance with ISO9001).
- Financial-economic information reliability risks (including risk of fraud) under the ICFR system.
- Continuous training in risk management for managers and executives: various training sessions were given to 159 managers and executives (first line of defense) in 2016 on the general risk control and management policy, general ERM framework and integrated risk management methods.
- Regarding awareness-raising and the culture of integrated risk management for the entire staff, it is pertinent to indicate the general dissemination regarding rule 3.25 concerning risk management in the Code of Conduct, which was shared with everyone through the sessions held in 2016 concerning this Code (Rule 3.25 states that Group Professionals must have proactive roles in the culture of risk prevention within the scope and breathe of their functions through integrated risk management in their activities and projects, and indicates and enumerates their corresponding principles of engagement). Refer to the sessions regarding

the Code indicated in section F.
- Internal audits of significant risks and communication of the corresponding reports to the Management Committee and the Audit and Compliance Committee.

The following are particularly salient among the particular response and supervision actions applying to significant risks (whether materialized or not):

- Plans for risks that could affect the objective of "Solid competitive positioning. Profiting from opportunities for growth in emerging and mature markets”:

  - Exchange rate: Mechanisms for managing coverage of the risk associated with transactions in the main currencies in which the Company operates; Defining and continuously monitoring new indicators; Revising the principles for managing exchange rate coverage, aligned with the updated/approved limits.

  - Country Risk: Geographic and client diversification; Local supply chains strengthening and/or development; Recurring and occasional steps taken to guarantee the safety and security of persons and assets in the countries where the Company operates and generate security alerts (social, natural, health).

  - Fiscal risks: Regular reporting to management and oversight bodies of the Company regarding compliance with good tax practices applied in relation to tax-related risk prevention and concerning Public Tax Authorities; Application of the Corporate Tax Policy and improvement in the organizational structure and execution and control processes and procedures, tax-related risk management. identification of risks per region, and definition and tracking of the actions defined for mitigating said risks.

  - Consolidation of the sector and competition: Creation of the agreement with Siemens; Analysis and surveillance of movements in the sector.

- Plans for risks that could impact the objective of “Balance control. Maintaining balance soundness”:

  - Continuous monitoring of the cash flow and relevant matters that could cause deterioration of assets. In this regard, the potential deterioration are addressed in the report of the 2016 financial statements.

  - Tracking and control of financial needs and the resulting compliance with *covenants*.

- Plans for risks that could affect the objective of “Competitiveness of the portfolio of products and services. Working on portfolio competitiveness, improving the ranking in mature markets”:

  - Strict control of compliance with product development plans (time, cost, quality, return on investment).

  - Cost reduction and continuous improvement plan, seeking to improve profitability in terms of Cost of Energy (CoE) and contribution margin.

  - Make/buy decisions and specific projects for components.

- Plans for risks that could affect the objective of “Growth beyond 2017”:
  - Regular monitoring by the different areas of the Company on regulatory developments, market aspects and demand.
  - Control of policy changes affecting renewable energies.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE PROCESS FOR ISSUING FINANCIAL INFORMATION (FIICS)

Describes the mechanisms that make up the internal control and Risk Management Systems related to the process for issuing the financial information (FIICS) of the entity.

F.1 **Entity control setting**

A report indicating the main features of at least the following:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

In accordance with the Bylaws of the Company, the Board of Directors shall be responsible specifically for drawing up the financial statements and the management report which correspond to both the Company and its consolidated Group, proposal for the application of results, and overseeing and approving the regular financial information that should be made public in the company's condition as a publicly traded company.

Within this framework, the ultimate responsibility therefore corresponds to the Gamesa Board of Directors for guaranteeing the existence and maintenance of an adequate ICFRS, the supervision of which, in accordance with the competences established in the Regulations of the Board of Directors and in the Regulations of the Audit and Compliance Committee, are delegated to it; and which also makes the design, implementation and maintenance of which the responsibility of the Group's Management, through its Management Control Department and Finance Department.

At the same time, the function of Internal Audit and Business Risk Control, in support of the Audit and Compliance Committee, is to promote the control of reliability of financial information through its direct access to said Committee as well as the fulfillment of its annual work plans.

The Regulations of the Audit and Compliance Committee establishes the committee's scope of competence to encompass supervision of the internal control system and risk management systems, and joint analysis with external auditors of significant internal control weaknesses detected, if any, during the audit, and the supervision of the procedure for preparing and submitting regulated financial information.

The duties of the Audit and Compliance Committee regarding the drawing up of regulated financial information includes yet is not restricted to the following:

- Oversee the preparation, presentation and integrity of economic and financial information relating to the Company and its consolidated Group, as well as the correct delimitation of the latter.
- With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.

- Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.

- Oversee compliance with legal requirements and the correct application of generally accepted accounting principles, and inform the Board of any significant changes in accounting criteria.

Regarding the internal risk control and management policy:

- Periodically reviewing the effectiveness of internal control and risk management systems, including those related to tax, in order to adequately identify, analyze and report on the key risks, as well as to collaborate with the auditors in analyzing the significant weaknesses in the internal control system detected when carrying out the audit.

- Review all risk policies and propose amendments thereof, or the adoption of new policies to the Board of Directors.

- Ensure that policies on the control and management of risks identify at least:

    - The different types of risk (operational, technological, financial, legal, fiscal, reputational, etc.) affecting the Company and its Group, including financial or economic risks, contingent liabilities and other off-balance sheet risks.

    - The levels of risk that the Company and the Gamesa Group deem acceptable in accordance with the Corporate Governance Standards.

    - The planned measures to mitigate the impact of identified risks, should they materialize.

    - The information and internal control systems used to control and manage risks.

- Ensuring that the risk department participates in defining the risk strategy, in the correct functioning and effectiveness of the control systems and in mitigating the risks detected.

Gamesa has had an Internal Financial Information Control Unit in place since 2015. This unit reports to the Finance Division and has the following duties:

- Ensure a centralized administration of the system enabling harmonized operations and supervision throughout the group.

- Define system methodology and criteria.

- Guarantee the maintenance, tracking and improvement of the system.

- Document and update the main aspects regarding the maintenance and improvement of the ICFRS.

F.1.2. If they exist, especially regarding the process for drawing up financial information, the following elements:

- Departments and/or mechanisms responsible: (i) for the design and review of the organizational structure; (ii) for clearly defining the lines of responsibility and authority, adequately delegating tasks and functions; and (iii) for ensuring that sufficient procedures are in place for correct dissemination within the entity.

  Regarding the definition of the organizational structure, the Regulations of the Board of Directors establish that the Appointments Committee must report to the Board of Directors regarding the proposals for appointment and dismissal of Senior Management, and the Remuneration Committee must report, prior to their approval by the Board, regarding their remuneration conditions and terms and conditions of their employment contracts.

  The Management Committee of the Group is responsible for defining, designing and revising the organizational structure. It also assigns functions and tasks, guarantees adequate separation of functions and ensures that the areas of the different departments are coordinated in order to meet the Company objectives.

  Furthermore, the Human Resources Division is responsible for supervising the Company organizational design and ensuring its homogeneity between the different geographical areas. The Communications Division is responsible for communicating changes related to organization through the corporate intranet.

  The Human Resources Division also maintains and publishes the detailed organizational chart of the Company on the corporate intranet through the Who's Who? service. This tool is the interactive directory of the Company that is used to encourage and facilitate communication between employees and make the organizational structure more accessible. The tool also ensures access to updated information used to locate and physically and functionally identify workers.

  For the purpose of drawing up financial information, the Group has clearly defined lines of authority and responsibility. The General Finance Division (GFD) has the main responsibility for drawing up financial information.

  The General Finance Division ensures the existence and correct dissemination throughout the Group of the internal control policies and procedures necessary to guarantee that the process of drawing up financial information is reliable. Moreover, the General Finance Division schedules the key dates and reviews to conduct by each responsible area.

The Group has financial organizational structures adapted to local needs in every region where it operates headed by a Financial Director, whose duties include yet are not limited to the following:

- Design and establish local organizational structures appropriate for developing the assigned financial tasks.
- Integrate Group-defined corporate financial policies into local management.
- Adapt corporate accounting and management systems to local needs.
- Comply with the procedures delimited within the Group's Internal Control over Financial Reporting System (ICFRS) and guarantee the proper separations of functions at the local level.
- Implement and maintain the control models through corporate technology tools.

In particular and referring to the model for the Financial Information Internal Control System, the existing organizational structure has sufficient resources for proper operation thereof with centralized guidelines that are controlled and supervised at a central level at the group, but with local implementation in each region to expand processes considered to be key for the Company in depth.

To ensure that the model works properly at the regional and corporate levels, the organization contemplates professionals having different roles and profiles in the capacity of:

- ICFRS Managers
- Process risk managers
- Control activity executors and supervisors

This is therefore a shared responsibility developed at the regional and general group levels for which any discrepancies will be resolved by a Committee in its role as a regulator.

- Code of Conduct, approving body, level of dissemination and instruction, principles and values included (indicating if there is specific mention of the record of operations and drawing up of financial information), body responsible for analyzing breaches and proposing corrective actions and penalties.

The purpose of Gamesa's Code of Conduct, approved by its Board of Directors on 5 April 2016 is to consolidate a universally accepted form of business ethics and to formally and expressly set forth the values, principles, attitudes and standards governing the conduct of the companies which make up the Group and the people subject to this Code during the fulfillment of their functions and in their work, commercial and professional relationships.

The Code of Conduct is available in several languages and copies of it are disseminated among its intended recipients and posted on the corporate website (www.gamesacorp.com) and intranet in the area reserved for the Ethics and Compliance Division. The Code is open to the possibility of any other medium of dissemination.

Among the principles and values included in the Code, general conduct rule 3.11 expressly states that the information conveyed to shareholders will be transparent, clear, truthful, complete, consistent, simultaneous and adhere to the principles of the Communication and contact policy regarding shareholders, institutional investors and vote advisers, which pertains the Corporate Governance standards.

In particular, general conduct standard 3.24 of the aforementioned Code expressly indicates that "the economic-financial information of GAMESA and its Group - in particular, the financial statements - is a faithful reflection of its economic, financial and equity-related reality, in accordance with generally accepted accounting principles and applicable international standards on financial reporting. For these purposes, no Group Professional shall hide or distort the information in the records and accounting reports of GAMESA or its Group, which shall be complete, accurate and truthful. Group professionals will apply the controls established by the Internal Control over Financial Reporting System (ICFRS) at all Group companies and in their respective fields of responsibility for the purpose of ensuring the reliability of Company financial information".

The Ethics and Compliance Division functionally reports to the Audit and Compliance Committee and some of its responsibilities regarding the Code of Conduct include yet are not restricted to revising and regularly updating the code, addressing concerns that could arise, and receiving questions or complaints regarding unethical actions, actions lacking in integrity or against the principles included therein.

Finally, general standard 3.25 in the Code of Conduct also expressly refers to the principles and values concerning risk management in connection with the general risk management and control policy, sets forth that Group Professionals, within the scope of their duties, must be proactive agents in the culture of risk prevention through the integrated management of risks in their activities and projects, and further specifies and details the corresponding principles of engagement.

- Whistleblower channel, for notifying the audit committee of financial or accounting-related irregularities, in addition to possible noncompliance with the Code of Conduct and illegal activities in the organization, and informing whether they are confidential in nature, when applicable.

According to the Code of Conduct and Article 10.g of the Regulations of the Audit and Compliance Committee regarding the functions of this Committee insofar as Corporate Governance, Gamesa has enabled the Whistleblower Channel as a mechanism enabling employees to confidentially report significant irregularities, including yet not restricted to, and as expressly indicated thereby, finance and accounting-related irregularities detected within the company.

The Audit and Compliance Committee is responsible for establishing and supervising the Whistleblower Channel through the Ethics and Compliance Division, which Gamesa manages according to the conditions and powers set forth in the written procedure regulating the "Whistleblower Channel Operating Rules" as part of the internal regulations, which set out its operation and conditions for use, access, scope and other aspects.

In accordance with our internal regulations, a function of the Ethics and Compliance Division as regards the Code of Conduct/Whistleblower Channel is to evaluate the level of compliance with the Code of Conduct and draw up a report thereon for submission to the Audit and Compliance Committee, informing on suggestions, concerns, proposals and non-compliance.

Upon receipt of a written complaint with a series of requirements and minimum content, the Ethics and Compliance Division decides whether to process or file the complaint.

Should signs of a potential infringement of the Code of Conduct appear, a case file will be processed confidentially and may initiate as many actions as may be required, especially interviews with the people involved and witnesses or third parties considered capable of providing useful information. Other roles within the Company may be called on, as appropriate, to provide assistance.

Having processed the complaint, the Ethics and Compliance Division will draw up a report, establishing predefined deadlines for the conclusion thereof, content and method of communication.

The Human Resources Division establishes the pertinent disciplinary measures for Code of Conduct infringement cases that should in any case be equitable to the severity of said infringements.

If upon processing the disciplinary proceeding and drafting the report, the Ethics and Compliance Division concludes that signs of illegal conduct exist, the competent legal or administrative authorities will be notified.

- Periodical training programs and updates for personnel involved in drawing up and reviewing financial information, and assessing the ICFRS, that shall at least include accounting standards, auditing, internal control and risk management.

  Gamesa has global procedures and processes for contracting personnel to identify and define all milestones of the selection and contracting process used to guarantee that new employees are qualified to undertake the responsibilities associated with the position.

  The management of its employees' knowledge through the required detection, retention and development of talent and knowledge, along with ensuring its correct transmission, is a main line of action for Gamesa.

  A new comprehensive talent management tool, Gamesa Talent Environment (GATE), was developed in 2016 to shore up and assist the role of each member of Gamesa as the key figure regarding his/her own development, group human resources processes and reinforce their integration into Company strategies.

In this context, the fundamental tool for developing the people who make up GAMESA is the Talent and Development Review, which is conducted annually. This process entails the establishment of individual development plans for the purpose of contributing to professional growth and enabling the development of skills and competences that will guarantee compliance with the Company's Business Plan.

This process is led by the Human Resources Division and, once concluded, is used as the base for designing the annual training plans. The provided training is monitored jointly in a single tool by the Employee, Manager and the Human Resources Division, and the latter is ultimately responsible for the overall tracking of the training given.

Personnel directly and indirectly responsible for actions related to the financial and accounting scope have been the object of previously outlined selection and contracting processes. Their training needs are also based on their annual performance evaluations. In this context, our human resources have the qualifications and professional competence necessary to do their jobs, both in the applicable accounting standards and in the principles concerning internal control. Personnel is kept continuously apprised of the legislative requirements in force.

The ICFRS-related training program that began in 2015 continued into 2016 at the corporate level and individual geographic areas.

Specifically and in relation to the Code of Conduct, the rules on the prevention of conflicts of interest, crime prevention and fraud policy, and whistleblower channel, the Ethics and Compliance Division held a total of 112 sessions in 2016 in EMEA (Spain and Italy), USA, Brazil and Mexico with an attendance topping 2,400. Additionally, the materials associated with the aforementioned matters were delivered to not only the attendees at the sessions but also others (approximately 6,000 employees) in the cited areas, India and China.

F.2 Risk assessment of financial information

A report including at least the following:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, regarding:

- Whether the process exists and is documented.

The Company developed ICFRS on the basis of the international standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO.

As mentioned further below, there is a model for identifying the effects of the different risk types. However and, in particular, regarding financial information, an internal control model is applied with a top-down approach of risk identification based on the most significant accounts in the financial statements and considering parameters related to impact, probability, characteristics of the accounts and the business process.

The risk identification process, whose potential impact on the Financial Statements is significant, considers quantitative aspects such as the percentage represented at an aggregate level by the individual company/account regarding assets, sales, income and other qualitative aspects.

The qualitative risk factors consider aspects related to:

- Characteristics of the account: Volume of transactions, required judgment, complexity of the accounting principle, external conditions.

- Characteristics of the process: Complexity of the process, centralization vs. decentralization, automation, third-party interaction, experience/maturity of the process.

- Risk of fraud: Degree of estimation and judgment, common schemes and frauds in the sector/market in which it operates, geographic regions, unusual and complex transactions, type of automation, urgent transactions, relationship to compensation systems.

- Whether the process covers the whole of financial information-related objectives (existence and occurrence; integrity; assessment; presentation; itemization and comparability; and rights and obligations), whether it is updated and how frequently.

  The process was designed in consideration of the financial reporting objectives contemplated in the internal control document on financial reporting for listed companies issued by the Spanish Securities Market Commission (CNMV) in June 2010.

  In the previous context, and in the case of the processes associated with the economic-financial information, the process has focused on analyzing the events that could affect the objectives of financial information related to:

  - Integrity.
  - Validity.
  - Evaluation.
  - Deduction.
  - Record.
  - Presentation and breakdown.

  The risk assessment model for attaining objectives linked to the reliability of financial information systematically and objectively identifies the critical risks and processes of an annual nature.

- The existence of a process for identifying the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose entities.

  As per the recommendations of the Unified Code of Good Governance of the Board Directors in Article 7 of its Regulations, the authority is established to approve the creation or acquisition of shares in special purpose companies or companies that are domiciled in countries or territories that are, under current legislation, considered tax havens.

  Moreover, and in this context, the Group's corporate tax policy indicates that Gamesa, in carrying out its activities, will attend to the principles of an ordered and diligent tax policy embodied in the commitment to:

  - Avoid the use of artificial and/or obscure structures for tax purposes, understanding that the latter are intended to prevent understanding, on the part of the Tax Administration personnel, of the final responsibility for the activities or the last owner of the property rights involved.

  - Refrain from constituting or acquiring companies residing in tax havens with the aim of evading tax obligations.

  The Group, through the Companies List drawn up by Legal Counsel, also maintains a continuously updated record that collects all Group holdings, whatever their nature, whether direct or indirect, including, as applicable, both instrumental and special purpose companies. This list of companies which constitute the Gamesa Group is accessible to personnel of the Group in the internal network (intranet).

  For the purpose of identifying the scope of consolidation, in accordance with the criteria contemplated in international accounting legislation, the mentioned list is subject to conciliation with the master file of companies affected by consolidation, which is the responsibility of the Group's consolidation unit.

  In this regard, the Group has a guide that establishes the necessary flow of authorizations regarding changes in the consolidation perimeter and enables updating and reconciliation of the Company List and master company file held in SAP BPC.

  In this context, the consolidation perimeter identification subprocess was created in the established financial information internal control system as part of the priority consolidation process.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they have an impact on the financial statements.

  Gamesa has incorporated a risk identification process based on the COSO method that, in accordance with the general risk control and management policy approved by the Board of Directors (most recently updated in September 2015) is considered to be in line with the "Business Risk Model-BRM" model insofar as the four risk categories that each in turn group other sub-categories:

  - Corporate governance, ethics and compliance risks.
  - Strategic risks and risks related to regulations, credit, market, business, tax, competition, country, strategy, etc.
  - Process-related risks (operational, reputational).
  - Risks associated with information for making decisions or legal requirements.

  The applied methodology is embodied as a regularly updated risk map (normally every six months).

- What governing body of the entity oversees the process.

  The process is ultimately supervised by the Audit and Compliance Committee with the support of the Internal Audit Division to undertake its duties.

F.3 **Control activities**

A report indicating its main characteristics, if it has at least the following:

F.3.1. Procedures for review and authorization of financial information and a description of the ICFRS to be published in the stock market, indicating the responsible parties, and including descriptive documentation on flows of activities and controls (including those related to the risk of fraud) of different types of transactions which may have a material effect on the financial statements, including the accounting close process and a specific review of relevant judgments, estimates, assessments and projections.

The Board of Directors is the highest body in charge of overseeing and approving the financial statements of the Group.

The Group sends quarterly information to the stock market. This information is prepared by the Management Control and Finance Divisions, who conduct a series of control activities during the accounting closure to ensure reliability of the financial information. These controls are contained in the "Consolidation and Financial Closing" in the Group's ICFRS model.

The Corporate Management Control Area and the consolidation and accounting area, integrated in the Finance Division, consolidate all the financial information of Gamesa Corporación Tecnológica, S.A. and the companies integrated in the Group.

On a monthly basis, the Finance Department provides the different departments involved in the accounting closings with planning and guides for drawing up financial information by each department and the date on which they should be reported.

The financial statements of the Group have the following review levels:

- Review of the Management Control Division.
- Review of the Finance Division.
- Review of the Audit Committee.
- Approval of the Board of Directors (biannually and annually).

Moreover, the financial statements and interim financial statements summarized biannually are subject to auditing and limited review, respectively, by the external account auditor.

Likewise, the financial statements submitted previously to the Board of Directors for formulation are previously certified by professionals responsible for consolidation and the Finance Division.

The financial statements are drawn up based on a reporting calendar and deadlines that are known to all participants in the process, considering the legally established terms.

The control activities designed to cover the previously identified risks, as mentioned in the previous chapter, are performed both at the Division level in a Corporate environment, with analytical reviews of the reported information, and at the level of each business unit from a more operational and specific point of view by identifying the relevant processes and subprocesses according to the different local organizational structures.

The processes considered with material impact risk in the drawing up of financial information are represented through risk and control flowcharts and matrices that identify the relevant control activities.

The control activities of particular relevance are understood to be related to the following aspects:

- Earnings recognition, degree of progress and collection.
- Capitalization of promotion expenses.
- Provision for guarantees.
- Activation of research and development expenses.
- Material assets.
- Coverage management.
- Procurement.
- Consolidation and Financial Closing.

The Group's control model is handled, maintained and evaluated through GRC Suite.

During 2016 and within the context of continually improving the model, Gamesa has continued working on optimizing and adapting the model to the best practices in the sector.

Startup of the new automated financial reporting control model, which began in 2015, was completed in 2016. By the close of 2016, the ICFRS organizational structure in all regions received training again for operating the computer tool that supports the model and the suitability of regular self-assessments on the control activities defined for each process conducted by the executors, confirmed by their supervisors and reviewed by the process risk managers.

The established system entails a continuous process to the extent that the process managers draw up, revise and update control activities and procedures in tandem with the Internal Control Unit.

F.3.2. Internal control policies and procedures regarding information systems (including access security, change control, operation thereof, operational continuity and segregation of functions) supporting the entity's relevant processes relating to the preparation and publication of financial reporting.

Gamesa's management recognizes information and supporting assets as strategic assets for the business and therefore declare the company's intention to attain the security levels necessary to safeguard them in terms of availability, confidentiality, integrity, authentication and traceability.

As part of this commitment, Gamesa has an information security policy manual for safeguarding confidentiality, integrity and availability of the information. This manual applies across all areas of the company.

Specifically, within the scope of the Gamesa ICFRS model, the process of general controls of the Information Systems has been developed. This process has been broken down into different subprocesses, for which various controls have been designed and established.

The designed controls are supported mainly in the applications SAP R3, SAP BPC, SAPP and BPM.

These subprocesses and their main control activities are:

- **Backups**: Business continuity as regards the timely recovery of essential business data in the event of a disaster via the duplication of critical infrastructures and periodic backup copies of the information in separate physical locations, and a policy review and control of the integrity of the copies made.

- **Security of physical access to the Data Processing Center (CPD):** Among other physical control activities, the information technology department restricts access to authorized personnel in different areas where key information elements of the Company are located, and these locations are monitored with the appropriate control and security systems.

- **Security of software access, both internal and external**: At the software security level, there are the techniques and tools that are defined, configured and implemented that restrict, to only authorized personnel based on their role-duty, access to computer applications and information databases, through procedures and control activities. These include, among others, review of users and assigned roles, encryption of sensitive information, managing and regularly changing access passwords, control of unauthorized downloads of applications, and analysis of identified security incidents.

- **Controls relating to the maintenance and implementation of computer applications:** Among others, the following are defined and implemented: request and approval processes at the appropriate level of new computer applications, definition of versioning policies and maintenance of existing applications and their associated action plans, definition of the various plans for implementation and application migration, validation and monitoring of changes in the evolution of applications and risk management through separate environments for operation, testing and simulation.

- **Controls regarding the segregation of duties:** Approved segregation of duties matrix, pursuant to which different roles are assigned to users according to identified needs, without allowing exceptions. Periodic review and approval of the various roles assigned, as well as reassignments, updates, user deletion, verification of infrequent or unused users, etc.

F.3.3. Internal control policies and procedures for monitoring the managing activities subcontracted to third parties, and aspects related to the evaluation, calculation or appraisal entrusted to independent experts that may have a material effect on the financial statements.

In general, Gamesa does not outsource any activity considered to be relevant and/or significant that could materially affect financial reporting.

In any case, the aforementioned outsourced activities are mainly different administrative processes in offices and small subsidiaries supported by a service contract that clearly indicates the service provided and the means that the supplier, a high-level external professional, will use to provide the services; reasonably ensuring technical training, independence and competence of the subcontracted party.

Likewise, there is an internal procedure for contracting services that establishes the requirement for certain levels of approval depending on the amount in question.

The Gamesa ICFRS model identifies control activities in which the valuation of a third party is required. In this regard, outsourced activities have been identified mainly relating to the appraisal of derivatives, legal aspects, assets and payments based on shares.

These services are commissioned by the managers of the corresponding areas, reasonably ensuring the competence and technical and legal training of the subcontracted parties, reviewing as applicable the assessments, calculations or appraisals performed by external agents.

F.4 **Information and communication**

A report indicating its main characteristics, if it has at least the following:

F.4.1. A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolving questions or disputes regarding their interpretation, maintaining fluid communication with those responsible for operations in the organization, as well as an accounting policy manual updated and communicated to the units through which the entity operates.

The functions of the Finance and Management Control Divisions include identifying, defining, updating and communicating the accounting policies that affect Gamesa, and responding to accounting inquiries raised either by subsidiaries or different geographical areas and business units. In this context, it maintains a close and smooth relationship with the management control areas of the various geographical areas and business units.

Additionally, the above divisions are responsible for reporting to the Management Committee and/or any other appropriate body regarding specific aspects of accounting standards, the results of their application and their impact on the financial statements.

The company has an accounting manual that defines and explains the standards for preparing the financial information and how such standards should be applied to the specific operations of the company. This document is updated regularly and the companies in which they apply are notified of the possible amendments or significant updates made.

On those occasions on which the application of accounting standards is particularly complex, the conclusion of the accounting analysis undertaken is communicated to the External Auditors, requesting their position on the conclusion that was reached.

The accounting policies applied by the Group are broken down into the financial statements and are consistent with those applicable under current regulations.

In case of legislative changes regarding financial reporting that affect the Financial Statements, the Consolidation Division, incorporated in the General Finance Division, will revise, examine and update the accounting standards, and oversee the adoption of new or revised standards from the International Financial Reporting Standards (IFRS) and any standards, amendments and interpretations that have yet to enter into force. This Division also notifies amendments or updates to the company departments and subsidiaries.

F.4.2. Mechanisms for capturing and preparing the financial information using standardized formats, applicable to and to be used by all the units of the entity or Group, which support the main financial statements and their notes, as well as the information detailed on the ICFRS.

The process for consolidating and preparing the financial information is centralized. In this process the inputs are the financial statements reported by the Group's subsidiaries in the established formats, as well as the rest of the financial information required for both harmonizing the accounting process and to covering the established information needs.

The Gamesa Group has implemented a software tool that collects individual financial statements and facilitates the process of consolidation and preparation of financial information. This tool allows centralizing all information resulting from the accounting of individual companies of the Group into a single system.

In this context, the Accounting and Consolidation Division establishes, in a centralized manner, a quarterly, biannual and annual closure plan which distributes to all of the groups and subgroups the appropriate instructions regarding the scope of the work required, key reporting dates of standard documentation to send, and deadlines for reception and communication. The instructions include, among other aspects, a reporting/consolidation package sent to Corporate, preliminary closure, inter-company billing, physical inventories, confirmation and inter-group balance reconciliations, final closure and pending matters.

The content of the aforementioned reporting is reviewed regularly in order to respond to the appropriate requirements for breakdown in the financial statements.

F.5 Monitoring the operation of the system

A report indicating its main characteristics, of at least the following:

F.5.1. Activities related to supervision of the ICFRS carried out by the audit committee, and whether the entity has an internal audit function that includes, among its capacities, support to the committee in its task of overseeing the internal control system, including the ICFRS. It will also report the scope of the ICFRS assessment conducted during the fiscal year and the procedure whereby the person responsible for the assessment communicates the results, whether the entity has an action plan detailing possible corrective measures, and whether its impact on financial information has been considered.

There is fluid communication between the Audit and Compliance Committee, Senior Management, Internal Audit Director and External Auditors for the purpose of having the available information needed to perform their functions relating to the responsibility of monitoring the ICFRS.

Specifically, regarding ICFRS monitoring activities undertaken by the Audit and Compliance Committee during the year, it has performed, among others, the following activities:

- Review of the Group's financial statements and periodical, quarterly and biannual financial reporting, which the Board of Directors must provide to the markets and their supervisory bodies, monitoring compliance with legal requirements and the correct application in their elaboration of the generally accepted accounting principles.

- During supervision of the Internal Audit Department, approval of the annual audit plan and its budget to enable the internal and external human and material resources in the cited department.

- Analysis of the audit plan for External Auditors, which includes the auditing objectives based on the financial reporting risk assessment and the main areas of interest or significant transactions reviewed in the year.

- The detected weaknesses of internal control have been reviewed with the External Auditors and Internal Audit, where appropriate, in the performance of the different auditing and review tasks.

Gamesa has an Internal Audit Department, one of the competencies of which is to support the Committee in its supervisory work of the internal control system. In order to ensure its independence, Internal Audit is hierarchically dependent on the Board of Directors and, on its behalf, its Chairman, and functionally the Committee.

With the aim of enabling this supervision of the internal control system, the Internal Audit services tend to the requirements of the Committee in the exercise of its functions, participating on a regular basis and as required in the Audit and Compliance Committee sessions.

The annual internal audit plan presented and approved by the Committee includes revisions of the ICFRS, establishing revision priorities on the basis of the identified risks.

During the year, it has drawn up and presented the company's corporate risk map, which contains the most critical risk areas, to the Audit and Compliance Committee. This map is drawn up for the different business units and regions at a global level. It includes financial and non-financial risks encompassed within the scope of supervision of the Audit and Compliance Committee).

The Internal Audit function has conducted audits on certain significant risks according to its annual audit plan for 2016, and submitted the corresponding reports to the Management Committee and the Audit and Compliance Committee.

Additionally, the function of Internal Audit performs analytical review procedures in each of the monthly closures of the consolidated financial statements, which involves, among other aspects, analysis of variations, unusual transactions, overall calculations, etc.

In addition, there are meetings held among the Audit and Compliance Committee, Finance Division and External Auditors for queries related to important issues or when an area of generally accepted accounting principles is particularly complex.

F.5.2. When having a discussion procedure whereby the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts inform senior management and the audit committee or company officers of significant internal control weaknesses identified during the annual accounts review processes, or others which may have been entrusted to them. Likewise, information will be provided as to the availability of an action plan for correction or mitigation of the observed weaknesses.

The Audit and Compliance Committee holds meeting at the close of the semester (every six months) and yearly with external auditors, internal audit and the division responsible for drawing up financial information with a view to commenting on relevant aspects and, as the case may be, discussing significant weaknesses identified in internal control.

In particular and at least once yearly, external auditors will appear in the Audit and Compliance Committee session to present their internal control related recommendations identified when examining the financial statements.

Moreover and in this regard, the Group's financial statements and periodical, quarterly and biannual financial information that the Board of Directors must provide to the markets and their supervisory bodies are reviewed during the Committee's meetings with the accounts auditors, monitoring compliance with legal requirements and the correct application in their elaboration of the generally accepted accounting principles.

During 2016, account auditors have reported no significant internal control weaknesses.

F.6 **Other relevant information**

There is no other information relevant to ICFRS that has not been included in this report.

F.7 **Report of the external auditor**

Report of:

F.7.1. Whether the ICFRS information supplied to the markets has been reviewed by the external auditor, in which case the entity should include the report as an annex. Otherwise, it should report the reasons.

Gamesa has requested an external auditor to issue a report on the review of the information regarding the ICFRS included in the present section F of the Annual Corporate Governance Report corresponding to 2016.

G DEGREE OF COMPLIANCE WITH THE RECOMMENDATIONS OF CORPORATE GOVERNANCE

Indicates the degree of compliance by the Company with respect to the recommendations of the Good Governance Code of issued companies.

In the event that any recommendation is not followed or is partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have sufficient information to evaluate the behavior of the Company. General explanations will not be acceptable.

1. **The bylaws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, nor impose other restrictions to obstruct the takeover of the Company through the purchase of shares on the market.**

Comply X Explain □

2. **When the parent company and a subsidiary are listed, both clearly and publicly define:**

   a) **Their respective areas of activity and possible business relations between them, as well as relations between the listed subsidiary and other Group companies;**

   b) **The mechanisms in place to resolve possible conflicts of interest that could arise.**

Comply □ Partially Comply □ Explain □ Non applicable X

3. **During the ordinary shareholders meeting, in addition to a written dissemination of the annual corporate governance report, the chairman of the board of directors verbally apprises shareholders, with sufficient details, of the most relevant corporate governance aspects of the company and, in particular:**

   a) **Changes made since the previous ordinary general shareholders meeting.**

   b) **Reasons for which the company failed to follow any of the recommendations in the Code of Good Governance and the alternative rules, if any, that may apply in this regard.**

Comply X Partially Comply □ Explain □

4. **The company defines and promotes a communication and contact policy with shareholders, institutional investors and voting advisers in fully adherence to the rules and regulations in place regarding market abuse, and treats shareholders of the same class equally.**

   The company also makes said policy public on its website, includes information regarding how the policy is put into practice and identifies the points of contact or persons responsible for discharging such duties.

Comply X Partially Comply □ Explain □

5. **The board of directors does not pass proposals onto the General Shareholders Meeting for delegating powers to issue shares or convertible securities with exclusions on first refusal rights at amounts over 20% the capital at the moment of delegation.**

   When the board of directors approves any issue of shares or convertible securities with the exclusion of first-refusal rights, the company immediately posts the reports on said exclusion on its website with reference to the pertinent commerce legislation.

Comply X Partially Comply □ Explain □

6. **The listed companies drawing up the reports cited below, whether voluntarily or as mandatory duties, also make them public on their websites with good time in advance of the ordinary general shareholders meeting, even though such dissemination may not be mandatory:**

   a) **Report on the independence of the auditor.**

   b) **Operating reports on the audit, appointments and remuneration committees.**

   c) **Audit committee report on related party transactions.**

   d) **Report on the corporate social responsibility policy.**

Comply X Partially Comply □ Explain □

7. **The company should stream a live feed of the general shareholders meeting on its website.**

Comply X Explain □

8. **The audit commission ensures that the board of directors presents the accounts to the general shareholders meeting without limitations or reservations in the audit report and, in the exceptional circumstance of reservations, both the chairman of the audit committee and auditors shall clearly explain the content and scope of said limitations or reservations.**

Comply X Partially Comply □ Explain □

9. The company permanently publishes on its website the requirements and procedures that it will accept to accredit the shareholder, right to attend the general shareholders meeting and the exercise or delegation of voting rights.

These requirements and procedures favor the attendance and exercise of the rights of shareholders, and are applied with no discrimination.

Comply X Partially Comply □ Explain □

10. When a legitimately accredited shareholder has exercised, before the general shareholders meeting, the right to add items to the agenda or present new proposals for resolution, the company shall:

a) Immediately disseminate the additional points and new proposals for resolution.

b) Make the attendance card model or delegation of remote voting forms public, with the specific modifications so that the new items on the agenda and the alternative proposed resolutions may be voted on in the same terms as the ones proposed by the board of directors.

c) Subject all these items or alternative proposals to a vote and apply the same voting rules as the ones formulated by the board of directors, including in particular the assumptions or deductions regarding the meaning of the vote.

d) Following the general shareholders meeting, communicate the breakdown of the vote on the additional items and proposed alternatives.

Comply □ Partially Comply X Explain □ Non applicable □

Explanation:

The Company's Internal Rules and Regulations complies with sections a), b) and d) of the Recommendation, though regarding section c), article 31.7 of the Regulations of the General Shareholders Meeting of the GAMESA states that the system for determining the meaning of the vote establishes a different deduction system for voting proposals from the Board of Directors regarding items included on the Agenda than for voting on proposals for resolution regarding matters not contemplated in the Agenda or formulated by the Board of Directors.

11. When the company intends to pay premiums for attending the general shareholders meeting, the general policy on said premiums must be established in advance and be stable.

Comply □ Partially Comply □ Explain □ Non applicable X

12. The board of directors carries out its duties with a consistent unity of purpose and independence of criteria, treating all shareholders in the same position equally and as guided by the interests of the company, namely obtaining profitable and sustainable long-term returns, promoting continuity and maximizing the economic value of the company.

And, for the sake of company interests, in observance of the pertinent laws and regulations, and through a conduct based on good faith, ethics and respect insofar as the uses and widely accepted good practices, it shall attempt to reconcile business interests with, where pertinent, the legitimate interests of its employees, providers, clients and those of stakeholders who may be affected in the community as a whole and in the environment.

Comply X Partially Comply □ Explain □

13. The board of directors has an appropriate size to achieve effectiveness and participation, ideally between five and fifteen members.

Comply X Explain □

14. The board of directors approves a director selection policy that:

a) Is concrete and verifiable

b) Ensures that appointment or re-election proposals are based on a prior examination of the needs of the board of directors

c) Favors the diversity of knowledge, experience and gender

The results of the initial analysis of the needs of the board of directors are included in the substantiating report of the appointments committee, published when calling to convene the general shareholders meeting at which the ratification, appointment or re-election of each director will be carried out.

The director selection policy promotes attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The appointments committee shall conduct a yearly verification of compliance with the director selection policy, reporting thereon in the annual corporate governance report.

Comply X Partially Comply □ Explain □

15. **Proprietary and independent directors constitute a large majority of the board of directors and the number of executive directors is the minimum necessary, taking into consideration the complexity of the corporate group and the ownership interests of the executive directors in the capital of the Company.**

Comply X Partially Comply □ Explain □

16. **The percentage of proprietary directors among the total of non-executive directors should be no greater than the existing proportion between the capital of the company represented by said directors and the remaining capital.**

    This criterion may be attenuated:

    a) **In companies with high capitalization where there are few equity stakes that attain the legal threshold for significant shareholdings.**

    b) **In companies that have a plurality of unrelated shareholders represented on the board of directors.**

Comply X Explain □

17. **The number of independent directors represents at least half of all Board members.**

    However, when the company is not a high cap entity or, even if being one, it has a single shareholder or several shareholders acting jointly and controlling over 30% of the share capital, the number of independent directors shall represent at least one third of the total number of directors.

Comply X Explain □

18. **Companies make public through their websites and regularly update the following information on their directors:**

    a) **Professional and biographical profile**

    b) **Other boards of directors to which they pertain, regardless of whether they are listed companies or not, and all other remunerated activities regardless of their nature.**

    c) **Indication of the director's category, particularly indicating the represented or related shareholder for proprietary directors.**

    d) **Date of first appointment as director in the company, and the subsequent re-elections. e) Shares held in the company and options thereon of which the director holds.**

Comply X Partially Comply □ Explain □

19. The annual corporate governance report, upon verification thereof by the appointments committee, explains the reasons for appointing proprietary directors at the request of shareholders whose shareholding is less than 3% of the capital; and, if necessary, the reasons for not having accommodated formal requests for presence on the board representing shareholders whose equity stake is equal to or greater than that of others at whose request proprietary directors were appointed.

Comply □ Partially Comply □ Explain □ Non applicable X

20. Proprietary directors resign when the shareholder they represent transfers its entire shareholding. And they also do so, in the appropriate number, when such shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.

Comply X Partially Comply □ Explain □ Non applicable □

21. The Board of Directors does not propose the removal of independent directors before the expiry of the period for which they were nominated, except where just cause is found by the board of directors, based on the report of the appointments committee. In particular, the existence of just cause will be construed when directors move onto new posts or undertakes new contractual obligations that would hinder them insofar as the necessary time for dedication to the discharge of functions and duties inherent to the post of director, or engender situations that would cause them to lose their status as independent as established in the applicable legislation.

The separation of independent directors may also be put forward as a result of takeover bids, mergers or other similar corporate transactions involving a change in the capital structure of the company when such changes in the structure of the board of director are caused by the proportionality criteria in recommendation 16.

Comply X Explain □

22. The companies establish rules making it mandatory for directors to report and, if necessary, resign in cases that could damage the credibility and reputation of the Company and, in particular, apprise the board of directors of criminal cases in which they are involved as defendants and subsequent developments in proceedings.

Should a director be indicted or a court decision handed down against him or her during a trial for any of the crimes listed in corporate legislation, the board of directors shall examine the case as soon as possible and, in light of the specific circumstances, decides whether or not the director may remain in office. The board of directors shall nevertheless provide a reasoned account of the events in the annual corporate governance report.

Comply X Partially Comply □ Explain □

23. All directors express clear opposition when they feel a proposal submitted to the board of directors may be contrary to the corporate interest. And they also do so, especially independent and other directors unaffected by the potential conflict of interests, when dealing with decisions that could harm shareholders not represented on the board of directors.

And when the board of directors makes significant or repeated decisions about which a director has serious reservations, the latter draws the appropriate conclusions and, if he or she chooses to resign, explains the reasons in the letter to which the following recommendation applies.

This recommendation also applies to the secretary of the board of directors, even though he or she is not a director.

Comply X Partially Comply □ Explain □ Non applicable □

24. When, either by resignation or otherwise, a director leaves office before the end of his or her term, he or she explains the reasons in a letter sent to all members of the board of directors. And, regardless of whether said removal is communicated as a significant event, the reason is explained in the annual corporate governance report.

Comply X Partially Comply □ Explain □ Non applicable □

25. The appointments committee shall ensure that non-executive directors are sufficiently available insofar as the time dedicated to undertaking their duties correctly.

The regulations of the board also establishes the maximum number of company boards on which its directors may sit.

Comply X Partially Comply □ Explain □

26. The board of directors meets as often as necessary to perform its duties efficiently and at least eight times per year, following the schedule of dates and agendas set at the beginning of the year. Each individual director may propose items for the agenda not initially included.

Comply X Partially Comply □ Explain □

27. Director absences are kept to a bare minimum and listed in the annual corporate governance report. When such absences are unavoidable, representation is granted with the corresponding instructions.

Comply X Partially Comply □ Explain □

28. When the directors or the secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved during a meeting of the board of directors, at the request of the person who expressed the concern it will be recorded in the minutes.

Comply X Partially Comply □ Explain □ Not applicable □

29. The company establishes the appropriate channels so that directors can obtain precise advice regarding the discharge of their duties, including, when the circumstances so require, external advice paid for by the company.

Comply X Partially Comply □ Explain □

30. Regardless of the knowledge that directors are required to have to undertake their duties, the companies also provide directors with knowledge refresher programs when circumstances would so advise.

Comply X Explain □ Not applicable □

31. The agenda of the sessions clearly indicates items regarding which the board of directors must reach a resolution or decision so that directors can examine or ascertain, in advance, the information necessary for adoption.

Should the chairman exceptionally seek to submit decisions or agreements not on the agenda to the board of directors for approval, for reasons of urgency, the prior and express consent of the present directors must be secured and record thereof must be made in the minutes of the meeting.

Comply X Partially Comply □ Explain □

32. Directors should be regularly apprised of the transactions in the shareholder group and the opinion that significant shareholders, investors and rating agencies have of the company and its group.

Comply X Partially Comply □ Explain □

33. The chairman, as responsible for the effective operations of the board of directors, in addition to the discharge of duties attributed thereto by law and bylaws, shall prepare and submit a schedule of dates and matters to address to the board of directors; organize and coordinate the regular assessment of the board and, as the case may be, the chief executive officer of the company; be responsible for managing the board and the effectiveness of its operations; ensure that sufficient time is dedicated to discussing strategic matters; and agree and review knowledge refresher programs for each director when the circumstances so advise.

Comply X Partially Comply □ Explain □

34. In addition to the legally corresponding capacities, when there is a coordinating director, the bylaws, regulations of the board of directors attribute the following duties: preside over the board of directors in the absence of the chairman and, where pertinent, vice chairmen; articulate the concerns of non-executive directors; maintain contact with investors and shareholders to ascertain their points of view regarding corporate governance, particularly concerning the company's corporate governance; and coordinating the chairman succession plan.

Comply X Partially Comply □ Explain □ Non applicable □

35. The secretary of the board of directors particularly ensures that the engagements and decisions of the board of directors consider the good governance recommendations contained in this Code of Good Governance that apply to the company.

Comply X Explain □

36. Once yearly, the board of directors in plenary session shall examine and adopt, as the case may be, an action plan for rectifying deficiencies detected in relation to:

a) Operating quality and efficiency of the board of directors

b) Operation and composition of its committees

c) Diversity in the composition and capacities of the board of directors

d) Performance of the chairman of the board of directors and company CEO

e) Performance and contribution of each director, particularly considering the heads of the various committees of the board

Assessments of the different committees shall be based upon the reports that they submit to the board of directors, which will in turn make its assessment based on the report submitted by the appointments committee.

Every three years, the board of directors will receive assistance to conduct the assessment from an external consultant, whose independence shall be verified by the appointments committee.

The business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group must be broken down in the annual corporate governance report.

The assessed process and areas will be described in the annual corporate governance report.

Comply X Partially Comply □ Explain □

37. When there is an executive committee, the membership structure of the various director categories are similar to that of the board of directors and its secretary shall be the secretary of the board.

Comply X Partially Comply □ Explain □ Non applicable □

38. The board of directors is always apprised of the matters discussed and the decisions made by the executive committee and all members of the board of directors receive copies of the minutes of the meetings of the executive committee.

Comply X Partially Comply □ Explain □ Non applicable □

39. The members of the audit committee, and particularly the chairman thereof, shall be appointed in consideration of their knowledge and experience in accounting, auditing or risk management. The majority of said members shall be independent directors.

Comply X Partially Comply □ Explain □

40. A unit under direct supervision of the audit committee shall assume the internal audit function to ensure that the internal information and control systems work properly, and will functionally report to the non-executive chairman of the board of the audit committee.

Comply X Partially Comply □ Explain □

41. The head of the unit assuming the internal audit function presents its annual work plan to the audit committee; reports to it directly on any incidents arising during its work; and submits a report of activities at the end of each year.

Comply X Partially Comply □ Explain □ Non applicable □

42. In addition to the ones attributed by law, the following duties correspond to the audit committee:

1. With regard to information systems and internal control:

a) Supervise the drawing up process and the integrity of the financial information related to the Company and, where appropriate, to the Group, revising compliance with the regulatory requirements, the proper setting of the consolidation scope and correct application of the accounting criteria.

b) Ensure the independence of the unit assuming the internal audit function; propose the selection, appointment, re-election and resignation of the individual responsible for the internal audit service; propose a budget for this service; approve the orientation and work plans, securing that this activity is primarily focused on the significant risks of the company; receive periodic information on its activities; and verify that Senior Management takes into account the conclusions and recommendations in its reports.

c) Establish and monitor a mechanism whereby staff can report, confidentially and, if possible, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the Company.

2. With regard to the external auditor:

a) In case of resignation of the external auditor, examine the circumstances that caused it.

b) Ensure that the remuneration of the external auditor does not compromise the quality or independence of the auditor's work.

c) Supervise that the company reports the change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and, if any, their content.

d) Ensure that the external auditor maintains a yearly meeting with the plenary board of directors to brief it on the work carried out and the progress of the accounting status and company risks. e) Ensure that the company and external auditor observe the valid standards regarding the provision of services other than auditing, limits of concentration of the audit business and, in general, other rules, regulations and standards regarding the independence of auditors.

Comply X Partially Comply □ Explain □

43. The audit committee may call any employee or director of the Company, even ordering their appearance without the presence of any other manager.

Comply X Partially Comply □ Explain □

44. The audit committee should be apprised on the operations of structural and corporate modifications intended for the company so that it can conduct a prior analysis and report to the board of directors regarding the corresponding economic conditions and impact on the accounts, particularly, as the case may be, the proposed exchange ratio.

Comply X Partially Comply □ Explain □ Non applicable □

45. The control and risk management policy identify at least:

a) The different financial and non-financial risk types (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liability risks and other off-balance sheet risks among the financial and economic risks.

b) The level of risk that the Company considers acceptable.

c) The planned measures to mitigate the impact of identified risks, should they materialize.

d) Information systems and internal control are used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Comply □ Partially Comply X Explain □

Explanation:

Gamesa's general risk control and management Policy, approved by the Board of Directors on 23 September 2015, states that the Delegated Executive Committee will define the specific numeric values of the risk limits contemplated in the specific policies. While the Delegated Executive Committee has defined, in relation to the Investment and Financing Policy, the cited specific numeric values for the limits on risks associated therewith, there are nevertheless others on which such a determination of risk level is verified by qualitative measurement references, and an objective underway is to update them with quantitative measures at the Company's risk levels.

46. Under direct supervision of the audit committee or, as the case may be, a specialized committee of the board of directors, there is an internal risk control and management function carried out by an internal company unit or department expressly having the following duties:

a) Ensure the proper operations of risk control and management systems and, in particular, that all significant risks affecting the company are identified, managed and quantified.

b) Actively participate in drawing up the risk strategy and taking important decisions regarding the management thereof.

c) Ensure that the risk control and management systems suitably mitigate the risks within the framework of the policy defined by the board of directors.

Comply X Partially Comply □ Explain □

47. The members of the appointments and remuneration committee (or the appointments and remuneration committees when separate) are appointed in view of their adequate knowledge, capacity and experience to carry out their duties, and the majority of the members shall be independent directors.

Comply X Partially Comply □ Explain □

48. High cap companies have an appointments committee and a remuneration committee.

Comply X Explain □ Non applicable □

49. The appointments committee consults the chairman of the board of directors and CEO of the company, especially on matters relating to executive directors.

Any Director may request that the appointments committee consider potential candidates to fill vacancies on the Board, if it finds them suitable.

Comply X Partially Comply □ Explain □

50. The remuneration committee independently carries out its duties, which are, in addition to the duties attributed by law:

a) Propose the basic contract terms and conditions for senior management to the board of directors.

b) Check that the remuneration policy established by the Company is observed.

c) Regularly review the remuneration policy applied to board directors and senior management, including the remuneration systems involving shares and their application, and guarantee that individual remuneration is proportional to the consideration paid to the other directors and senior managers in the company.

d) Ensure that potential conflicts of interest do not harm the independence of external counsel provided to the committee.

e) Verify the information regarding the remuneration to directors and senior managers contained in the different corporate documents, including the annual directors' remuneration report.

Comply X Partially Comply □ Explain □

51. The remuneration committee consults the Chairman and Chief Executive of the Company, especially on matters relating to Executive Directors and Senior Management.

Comply X Partially Comply □ Explain □

52. The composition and operating rules of the oversight and control committees are in the regulations of the board of directors and consistent with the rules and regulations applicable to the committees by law according to the recommendations above, including:

a) They exclusively comprise non-executive directors, with a majority of independent directors.

b) Their Chairmen are independent directors.

c) The board of directors appoints the members of these committees mindful of the knowledge, skills and experience of the directors and the duties of each committee; deliberates insofar as their proposals and reports; and renders accounts of their activity, holding them accountable for their work, during the first session of the board of directors following the respective committee meetings.

d) Committees may seek external advice when considering it necessary to discharge their duties.

e) Minutes shall be kept during their meetings and made available to all directors.

Comply X Partially Comply □ Explain □ Non applicable □

53. Oversight of compliance with the corporate governance rules, internal conduct codes and corporate social responsibility policy is attributed to one or among various committees under the board of directors that could be the audit, appointments or corporate responsibility committees (if existing), or even a specialized committee that the board of directors, in the discharge of its duties of self-organization, decides to create for such a purpose; committees that will have at least the following functions:

a) Oversight of compliance with internal codes of conduct and corporate governance rules of the company.

b) Oversight of the strategy for communication and relations with shareholders and investors, including small- and medium-sized shareholders.

c) Regular assessment of the suitability of the Company's Corporate Governance System to ensure that it complies with its mission to promote the corporate interest and, where pertinent, considers the legitimate interests of all other stakeholders.

d) Revision of the Company's Corporate Social Responsibility policy, ensuring that it targets the creation of value.

e) Tracking of the corporate social responsibility strategy and practices and assessment of its degree of compliance.

f) The oversight and assessment of the processes for relations with the different stakeholders.

g) The assessing of all matters relating to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the non-financial data and diversity reporting process in accordance with the applicable legislation and benchmark international standards.

Comply X Partially Comply □ Explain □

54. The corporate social responsibility policy includes the principles or commitments that the company voluntary assumes in its relationships with the different stakeholders, and identifies at least the following:

a) The corporate social responsibility policy objectives and development of support instruments.

b) The corporate strategy regarding sustainability, the environment and social matters.

c) The specific practices in matters relating to: shareholders, employees, clients, suppliers, social matters, environmental affairs, diversity, tax responsibility, human rights and illegal conduct prevention.

d) The methods or systems for tracking the results from applying the specific practices mentioned in the letter above, associated risks and the management thereof.

e) The non-financial risk, ethics and corporate conduct supervision mechanisms.

f) Channels for communication, participation and dialog with stakeholders.

g) The responsible communication practices that prevent informational tampering and safeguard integrity and honor.

Comply X Partially Comply □ Explain □

55. The company reports on matters related to corporate social responsibility in a separate document or in the management report, and will use any of the internationally accepted methods to do so.

Comply X Partially Comply □ Explain □

56. The remuneration of directors should suffice to attract and retain directors with the desired profile and to compensate them for the dedication, qualifications and responsibilities that the post requires, but not so high as to compromise the independence of criteria of non-executive directors.

Comply X Explain □

57. Executive directors shall have variable remuneration linked to the performance of the company and their personal performance, and remuneration through the delivery of shares, options or rights on shares and instruments referenced to the value of stock, and long-term savings systems such as pension plans, retirement programs or other social welfare systems.

Remuneration to non-executive directors may be made via the delivery of shares when conditioned to be retained until the end of their tenure as directors. The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.

Comply X Partially Comply □ Explain □

58. In case of variable remuneration, compensation policies incorporate limits and technical safeguards to ensure that such remuneration conserves a relation to the professional performance of its beneficiaries and not simply derived from the general progress of the markets or the industry in which the Company participates or other similar circumstances.

And, in particular, the variable components of remuneration:

a) Are linked to measurable performance criteria that are established in advance and contemplate the risk assumed to secure a result.

b) Promote the sustainability of the company and include non-financial criteria appropriate for creating long-term value, namely compliance with the company's internal rules, procedures and policies for risk control and management.

c) Are configured on the basis of a balance between attaining short-, medium- and long-term objectives for rewarding performance for sustained efforts during a period of time sufficing to appreciate the contribution to a sustainable creation of value, so that the elements for measuring this performance are not merely based on singular, occasional or extraordinary events.

Comply X Partially Comply □ Explain □ Non applicable □

59. The payment of one relevant part of the variable components of the remuneration differs for a minimum period of time sufficing to check that the previously established performance conditions have been met.

Comply X Partially Comply □ Explain □ Not applicable □

60. Remuneration related to the profits of the Company take into account any reservations that are stated in the report of the external auditor's findings and that reduce profit.

Comply □ Partially Comply □ Explain □ Non applicable X

61. A relevant percentage of the variable remuneration to executive directors is linked to the delivery of shares or financial instruments referenced to its value.

Comply X Partially Comply □ Explain □ Non applicable □

62. Once the shares or options or rights to shares corresponding to the remuneration systems have been assigned, directors may neither transfer ownership of a number of shares equivalent to twice their annual fixed remuneration nor exercise stock options until a period of at least three years from assignment has elapsed.

The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.

Comply □ Partially Comply □ Explain X Not applicable □

Explanation:

On 23 September 2015, the Board of Directors of GAMESA approved the "Director Remuneration Policy", which includes the possibility that long-term remuneration plans with systems based on delivering shares in the company establish suitable minimum retention periods for the received shares. However, the most recent Long-Term Incentive Plan approved by the 2013 General Meeting, whose measurement period ended on 31 December 2015, does not contemplate a share retention period.

63. The contractual agreements include a clause enabling the company to reclaim reimbursement of the variable components when payment has not been adjusted to the performance conditions or made attending to data whose inaccuracy is only subsequently appreciated.

Comply X Partially Comply □ Explain □ Non applicable □

64. Payments upon termination of the contract do not exceed an established amount equivalent to two years of the total annual remuneration and not settled until after the company has checked that the director has satisfied the previously established performance criteria.

Comply X Partially Comply □ Explain □ Non applicable □

H OTHER INFORMATION OF INTEREST

1. If there is a materially relevant aspect of corporate governance in the Company or Group entities that has not been discussed in other sections of this report, but which it is necessary to include to present more complete and reasoned information on the structure and governance practices in the Company or its Group, explain briefly.

   (A.2)

   In addition to the information included in the table on significant stake in section A.2, it is relevant to indicate that at the close of 2016 the company OZ MASTER FUND LTD held a significant stake of 2.041% in the capital of GAMESA based on the total voting rights linked to the exercising financial instruments as reported to the Spanish Securities Market Commission (CNMV). This information is not contained in the table included in section A.2, which called for significant stake of the Company, and not the inclusion of significant stake based on voting rights linked to the execution of financial instruments.

   Further, the companies OZ MASTER FUND LTD and FIDELITY INTERNATIONAL LIMITED respectively hold stake of 2.041% and 1.062% in the share capital of GAMESA, thus within the cases contemplated in article 32 of Spanish Royal Decree 1362/2007, which states that the percentage for consideration as significant is reduced to 1% when the entity with the duty to report resides in a tax haven or country or territory with no taxation, or with which there is no effective exchange of tax information in accordance with the pertinent legislation currently in force.

   It should likewise be noted that, regarding the significant stake of FIDELITY INTERNATIONAL LIMITED, the direct holding grants no voting rights in GAMESA, since none of the direct holders indicated by FIDELITY INTERNATIONAL LIMITED in its communication to the CNMV exceeded the 1% direct holding threshold insofar as the share capital of GAMESA.

   Additionally, OZ MASTER FUND LTD reported to the CNMV that on 13 January 2017 its percentage of voting rights linked to the execution of financial instruments in GAMESA dropped under 2% to 1.815%.

   Lastly, NORGES BANK notified the CNMV that on 19 January 2017 its percentage of voting rights in GAMESA dropped under 3% to 2.992% and that it is therefore no longer a significant shareholder.

   (A.3)

   In addition to the information provided in section A.3, Gema Góngora Bachiller, member of the Board of Directors until 14 September 2016, holds no shares in the Company.

(A.8)

In addition to the information provided in section A.8, GAMESA has entered into a currently valid liquidity contract with Santander Investment Bolsa, which was reported to the CNMV through Significant Event No. 176071 on 31 October 2012.

The CNMV was also notified of transactions carried out during 2016 within the scope of the referred liquidity contract via Significant Event Nos. 234.556, 238.138, 241.857, 244.421 and 247.856.

(A.9 bis)

In addition to the information provided in section A.9 bis, the estimated floating capital does not include the significant stake of OZ MASTER FUND LTD detailed in this very same section H regarding section A.2., since this is a significant stake that cannot be considered as floating capital by any means whatsoever, even though it could not be included as such in section A.2.

(B.4)

In addition to the information provided in section B.4, four shareholders holding a total of twelve thousand, eighty-six (12,086) shares used the electronic voting system in the Ordinary General Shareholders Meeting in 2016.

Moreover, twenty-six shareholders holding a total of one hundred and seventy-six thousand, six hundred and ninety-seven (176,697) shares used the electronic voting system in the Extraordinary General Shareholders Meeting held on 15 October 2016.

(C.1.2)

In addition to the information provided in section C.1.2, the appointment of seven new members of the Board of Directors was approved during the Extraordinary General Shareholders Meeting held on 25 October 2016, and their appointment is conditioned to the entry onto the Companies Register of Bizkaia of the deed of merger between GAMESA and SIEMENS WIND HOLDCO.

The newly appointed Directors are:

- Rosa María García García, as non-executive proprietary director.
- Mariel von Schumann, as non-executive proprietary director.
- Lisa Davis, as non-executive proprietary director.
- Klaus Helmrich, as non-executive proprietary director.
- Ralf Thomas, as non-executive proprietary director.
- Klaus Rosenfeld, as non-executive independent director.
- Swantje Conrad, as non-executive independent director.

As the Company reported to the CNMV through Significant Event No. 242882 on 19 September 2016, all members of Gamesa's Board of Directors made their positions available to the Company to ensure that the composition of the Board of Directors on the merger's effective date will be as contemplated in section 8.2 of the Merger Project.

(C.1.3)

In addition to the information provided in section C.1.3, the following is a brief profile of the Executive and Proprietary Directors:

EXECUTIVE DIRECTORS

Ignacio Martín San Vicente

Born in San Sebastián (Guipúzcoa). He is currently Chairman of the Board of Directors and Chief Executive Officer, and Chairman of the Executive Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds an Electronic Superior Engineering Degree from the University of Navarra.

Along his professional career he has hold different posts in companies like GKN Automotive International (1987-1998) where he held the post of CEO in the United States and General Director of the Group for America, among others. Likewise he was Deputy General Director to the Chairman of Alcatel España (1998-1999); General Director of Operations in Europe in GKN Automotive Internacional (1999-2001) and Deputy Chairman in CIE Automotive having previously hold the posts of Chief Executive Officer (2002-2010) and Executive Deputy Chairman (2010-2011) in the aforementioned company.

Currently he is Independent Director in Bankoa-Credit Agricole. Likewise he is Director in the Board of Directors of APD (Asociación para el Progreso de la Dirección) and member of the Strategic Committee of CEIT.

Carlos Rodríguez-Quiroga Menéndez

Born in Madrid. He currently holds the position of Member of and Secretary to the Board of Directors and Secretary (non Member) of the Executive Committee, of the Audit and Compliance Committee, of the Appointment Committee and of the Remuneration Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds a Law Degree from the Complutense University of Madrid.

Diploma-holder of Employment Law from the Legal Practice School of Madrid.

Diploma-holder in Comparative Industrial Relations and in European Community Relations from the Secretariat of State for Relations with the European Community.

Practicing lawyer.

Currently he performs tasks as Director of or as Secretary to the Board of Directors, among other positions, in the following companies: Audiovisual Española 2000, S.A., Construcciones Sarrión, S.L., Rodríguez-Quiroga Abogados, S.L. and member of the Fundación Pro Real Academia de Jurisprudencia y Legislación.

PROPRIETARY DIRECTORS

Sonsoles Rubio Reinoso

Born in Segovia, she holds the position of Member of the Board of Directors and of the Audit and Compliance Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

She holds a degree in Economics and Business from the Universidad Autónoma of Madrid.

She completed her training as post graduated at ICEA, IESE and *Centro de Estudios Financieros*. She is also Certified Internal Auditor (Institute of Internal Auditors), Certified Fraud Examiner (Assocation of Certified Fraud Examiners), Certified Compliance&Ethics Professional (Society of Corporate Compliance and Ethics) and Leading Professional in Ethics & Compliance (Ethics & Compliance Initiative).

Sonsoles Rubio is Complaince Chief Officer in Iberdrola, S.A. since January 2013. Her professional career has been performed in the internal audit department of enterprises like Repsol YPF, S.A., Holcim (España), S.A. (1999-2008) and Iberdrola, S.A., company she joined in 2008 as Internal Audit Manager of Renewable Business in Iberdrola, S.A.

She is Member of the Steering Committee of the *Instituto de Auditores Internos*.

Throughout her career she has published articles and given many talks in national and international conferences.

Francisco Javier Villalba Sánchez

Born in Valencia, he holds the position of member of the Board of Directors, of the Appointments Committee and of the Remuneration Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He is Civil Engineer by the Polytechnic University of Valencia and has also fulfilled a Program of Development of Senior Management in the Management School of IESE Business School (University of Navarra).

Until February 1, 2016 and since 2010, he held the post of general director of Networking Business of the Iberdrola group.

Along his professional career he has hold different posts in Hidroeléctrica Española and, afterwards, in the Iberdrola group, in which he has held, among others, the following posts: Networking Business Director Spain (2006-2010), Distribution Area Director (2001-2006), Production Business Unit Director (1997-2001), Hydraulic Generation Director (1994-1997), East Zone Generation Director (1991-1994), Exploitation Unit Manager in Valencia (1989-1991), Cortes-La Muela Hydroelectric Capture Construction Director (1982-1989) and Civil Works Manager in the construction of the Nuclear Power Station of Cofrentes (1976-1984).

Until February 1, 2016 he held the following posts in the Board of Directors of the companies detailed next: Chairman Director of Elektro Electricidade e Serviços, S.A., Chairman Director of Iberdrola USA Networks, Inc., Chairman Director of Iberdrola Distribución Eléctrica, S.A., Joint Administrator of Iberdrola Redes España, S.A. and Chairman Director of Scottish Power Energy Networks Holdings Ltd.

Likewise, until February 9, 2016 he held the post of Joint Administrator of Iberdrola Redes España, S.A.

Gerardo Codes Calatrava

Born in Madrid, he holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and of its Executive Committee.

State's Attorney.

Holds a Degreee in Law from the Universidad Pontificia Comillas (ICADE) as Lawyer-Corporate Counsel.

He started his professional career as State's Attorney in Lleida and Valencia and later, in 2011, he joined the Iberdrola Groupl. Within the Iberdrola Group he occupied the post of Chief of the Department of Tax Litigation Legal Services, Director of Legal Services of Corporate Resources and Control and Director of Legal Services of Regulation and Corporate Issues.

Nowadays he is the Director of Global Legal Services of Regulation and Corporate Issues of the Iberdrola Group. Likewise he holds the post of Secretary of the Board of Directors of Torre Iberdrola, AIE, as well as of the Audit and Compliance Committee of Iberdrola España, S.A.

He is Academic of the Real Academia de Jurisprudencia y Legislación.

(C.1.7)

In addition to the information provided in section C.1.7, Gema Góngora Bachiller was external proprietary director of GAMESA from her appointment on 27 May 2015 at the request of Iberdrola, S.A., subsequently re-elected on 22 June 2016 and until her resignation on 14 September 2016.

(C.1.15)

In addition to the information provided in section C.1.15, please note that:

a) pursuant to articles 45.3 and 45.6 of the Corporate Bylaws of GAMESA and as agreed by virtue of the fifteenth resolution of the agenda of the 2015 General Shareholders Meeting, the remuneration of the Company to all directors as fixed annual remuneration and allowances for their dedication and attendance does not exceed the maximum amount of three million euros (€3,000,000) established by the cited General Shareholders Meeting, as such consideration is compatible with and independent of the remuneration received by executive directors.

b) remuneration to the board of directors included, in accordance with the Annual Directors' Remuneration Report, the amount corresponding to the part of the incentive comprising shares delivered during 2016, which was accrued by the chairman and CEO regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. The cited amount was calculated by the average listed share price on the resolution date (€15.81). In particular, the chairman and CEO's right to the delivery of 189,759 shares was recognized, verified at 50% (94,880 shares, which amounted to the delivery of 61,672 after the appropriate tax withholding) within the first 90 days of fiscal year 2016 and the remaining 50% (94,879 shares, which must also be adjusted after applying the pertinent tax withholding, according to the share's listing value on the date of the corresponding resolution), which will delivered during the first 90 days of fiscal year 2017. The amount corresponding to shares delivered in 2017 will be included in the annual directors' remuneration report and the annual corporate governance report corresponding to 2017, calculated by the average listed share price on the date of the corresponding resolution.

c) the information shown therein coincides with the figure in Note 19.1 of the Individual Report and Note 30 of the Consolidated Report, which form part of the financial statements for fiscal year 2016.

(C.1.16)

a) In addition to the information provided in section C.1.16, remuneration to the senior management included the amount corresponding to the part of the incentive comprising shares delivered during 2016, which was accrued by all members of senior management regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. The cited amount was calculated by the average listed share price on the resolution date (€15.81). In particular, Senior Management's right to the delivery of 447,580 shares was recognized, verified at 50% (223,790 shares, though the number of shares actually delivered to each beneficiary was determined after applying the corresponding tax withholding at said value) within the first 90 days of fiscal year 2016 and the remaining 50% (223,790 shares, which must also be adjusted after applying the pertinent tax withholding, according to the share's listing value on the date of the corresponding resolution), which will delivered during the first 90 days of fiscal year 2017. The amount corresponding to shares delivered in 2017 will be included in the annual corporate governance report corresponding to 2017, calculated by the average listed share price on the date of the corresponding resolution.

b) the information shown therein matches the figure in Note 19.1 of the Individual Report and Note 31 of the Consolidated Report, which form part of the financial statements for fiscal year 2016.

(C.1.17)

In addition to the information provided in section C.1.17, Francisco Javier Villalba Sánchez, external proprietary director held the following posts as member of the Board of Directors of significant shareholder companies and/or entities of its group until 1 February 2016:

Name or company name of the director	Company name of the significant shareholder	Position
Villalba Sánchez, Francisco Javier	Elektro Electricidade e Serviços, S.A.	Chairman Director
	Iberdrola USA Networks, Inc.	Chairman Director
	Iberdrola Distribución Eléctrica, S.A.	Chairman Director
	Scottish Power Energy Networks Holdings Ltd.	Chairman Director

Further, Gema Góngora Bachiller was external proprietary director of GAMESA from her appointment on 27 May 2015 at the request of Iberdrola, S.A., subsequently re-elected on 22 June 2016 and until her resignation on 14 September 2016. Doña Gema Góngora Bachiller was therefore linked to the significant shareholder IBERDROLA, S.A., with the post of Executive development and Management Director at Iberdrola, S.A.

(C.1.21)

In addition to the information provided in section C.1.21, according to Significant Event 242722 submitted to the CNMV on 14 September 2016, external proprietary director Gema Góngora Bachiller informed GAMESA of her resignation as voting member of the Board of Directors and Remuneration Committee on the same day.

(C.1.30)

In addition to the information provided in section C.1.30, one director was absent for one session, another director was absent for two sessions, and in these three cases the directors delegated their attendance by proxy to another director of the same category yet with no specific instructions.

In addition to the information provided in section C.1.30, in this regard, non-attendance was not considered in cases of directors in a conflict of interest who, according to article 31 of the Regulations of the Board of Directors, refrained from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters in connection with the conflict.

(C.1.33)

In addition to the information provided in section C.1.33, the Secretary Director of the Board of Directors, as lawyer and in accordance with article 21.5 of the Regulations of the Board of Directors, has acted in the capacity of legal counsel of the Board of Directors. Article 21.4 of the Regulations of the Board of Directors states indicates the duties of the Secretary, in addition to the duties assigned thereto by law or the Corporate Governance Standards.

Secretary Director of the Board of Directors of GAMESA, Carlos Rodríguez-Quiroga Menéndez, also Executive Director thereof, was reelected to his post by the General Shareholders' Meeting on 19 April 2013.

(C.1.35)

In addition to the information provided in section C.1.35, article 28 of the Regulations of the Audit and Compliance Committee of GAMESA regulates the relationships of the cited committee with the External Auditor. The full text is available at www.gamesacorp.com

(C.1.44)

In addition to the information provided in section C.1.44, by virtue of the acquisition by Gamesa Energía, S.A.U. of 50% of Adwen Offshore, S.L. on 5 January 2017 (Significant Event No. 246915), the clause regarding a possible change in control is null and void.

(C.1.45)

In addition to the information provided in section C.1.45, upon the announcement calling the Gamesa 2016 General Shareholders' Meeting, information was made available to shareholders regarding the safeguard and guarantee clauses regarding members of senior management. In particular, this information was included in GAMESA's "2015 Annual Corporate Governance Report", which was included in the complementary Management Report of the Annual Financial Statements corresponding to the year ending on 31 December 2015.

(C.2.1)

In addition to the information provided in paragraph C.2.1, Carlos Rodríguez-Quiroga Menéndez holds the position of non-member Secretary of the Executive Committee, of the Audit and Compliance Committee and of the Appointments and Remuneration Committees.

It should also be mentioned that as a result of the merger agreement signed between GAMESA and SIEMENS WINDHOLCO, and as reported to the CNMV on 17 June 2016 via Significant Event No. 239868, an Independent Directors Committee was created, independent from the Merger Committee, and comprises exclusively independent directors tasked with fostering the merger until it becomes effective (which will occur with merger's entry onto the Companies Register).

The variations occurring in the committees of the Board of Directors during and since the close of the year are listed below:

Delegated Executive Committee

During its session on 14 September 2016, and following a favorable report from the Appointments Committee, the Board of Directors agreed to appoint Gerardo Codes Calatrava as Proprietary Director of the Board of Directors of the Company, as new voting member of the Delegated Executive Committee to replace Francisco Javier Villalba Sánchez.

Remuneration Committee

During its session on 14 September 2016, and following a favorable report from the Appointments Committee, the Board of Directors agreed to appoint Francisco Javier Villalba Sánchez as Proprietary Director of the Board of Directors of the Company, as new voting member of the Remuneration Committee to replace Proprietary Director Gema Góngora Bachiller.

(C.2.5)

In addition to the information provided in section C.2.5, in its session on 22 February 2017 the Board of Directors of GAMESA approved the amendment of the Regulations of the Audit and Compliance Committee. The cited amendment is essentially technical in nature and its purpose is to adapt the powers of this committee to the new content in article 529 quaterdecies of the Spanish Corporate Enterprises Act. A series of reforms have also been included to further progress in the implementation of the recommendations in the Code of Good Governance.

(D.2)

In addition to the information provided in section D.2, this information is related with Note 32 of the Consolidated Report incorporated in the 2016 Financial Statements.

It should also be noted that the amount attributed to "Received services" of IBERDROLA, S.A., included in cited Note 32 of the Consolidated Report, corresponds to the supply of electricity to facilities of the Gamesa Group by IBERDROLA, S.A., though this amount was not included in section D.2, since it did not merit consideration as relevant.

(D.4)

To complement the information provided in paragraph D.4 note that:

a) Gamesa Group companies established in countries or territories considered to be tax havens according to Law 1080/1991 of 5 July 1991, are classified as operating companies and exclusively carry out ordinary business activities.

b) GAMESA has no transactions with these companies of the Gamesa Group in countries or territories considered to be tax havens according to Decree Law 1080/1991 of 5 July, rather they affect other companies in the Group that are parent companies of the different businesses, and these transactions are:

Company name of the entity in its group	Brief description of the transaction	Report (thousands of euros)
Gamesa Singapore Private Limited	Interest on intragroup financing	167
Gamesa Cyprus Limited	Interest on intragroup financing	18
Gamesa Dominicana, S.A.S.	Interest on intragroup financing	262
Gamesa Mauritius LTD	Interest on intragroup financing	19
Gamesa Cyprus Limited	Intragroup sales and rendering of services	35
Gamesa Dominicana, S.A.S.	Intragroup sales and rendering of services	104
Gamesa Mauritius LTD	Intragroup sales and rendering of services	83
Gamesa Eólica S.L. "Branch Jamaica"	Intragroup sales and rendering of services	108
Gamesa Eolica SL, Jordan	Intragroup sales and rendering of services	1,254

(D.5)

In addition to the information provided in section D.5, this information is related with Note 32 of the Consolidated Report incorporated in the 2016 Financial Statements.

2. Within this paragraph can also be included any other information, clarification or array related to previous paragraphs of the report to the extent that they are relevant and not repetitive.

   Specifically, indicate whether the company is subject to legislation different from the Spanish legislation on corporate governance and, where applicable, include the information that is required that is different from that specified in this report.

3. The company may also indicate whether it has acceded voluntarily to other ethical principles or codes of good practice, international, regional or other. In that case, the code in question and the date of accession shall be identified. In particular, indicate if the company has acceded to the Good Tax Practices Code, of July 20, 2010.

   GAMESA has adhered voluntarily to various codes of ethics or codes of practice, these being the following:

   a) "United Nations Global Compact", which is promoted by the United Nations and its goal is the commitment and support to promote the ten principles of human and labor rights, environmental protection and the fight against corruption. GAMESA voluntarily acceded, as of February 2, 2005, and annually publishes a Progress Report (COP) of review of compliance with these principles.

   b) "Global Reporting Initiative (GRI)" which is promoted by the NGO Global Reporting Initiative. Its goal is to create an environment for the exchange of transparent and reliable information on sustainability through the development of an application framework common to all kinds of organizations. GAMESA acceded voluntarily as of December 14, 2005.

   c) "Caring for Climate: The business leadership platform", promoted as an initiative of the UN Global Compact. Its goal is the involvement of businesses and governments in taking action on climate change, energy efficiency, reduction of emissions of greenhouse gases (GHGs) and positive collaboration with other public and private institutions. GAMESA acceded voluntarily as of June 18, 2007.

   d) "Principles of Empowerment of Women", promoted by UN Women / UN Global Compact of the United Nations and aiming to build stronger economies, establish a more stable and just society, achieve compliance development, sustainability and human rights and improve the quality of life of women, men, families and communities. GAMESA acceded voluntarily as of December 22, 2010.

e) "Code of Conduct for the Development of Wind Farms in the State of New York," sponsored by the Office of the Attorney General of the State of New York (United States) and aiming to promote economic development and renewable energy, and promote public integrity in developing wind farms. GAMESA acceded voluntarily as of March 1, 2012.

f) "Prince of Wales Business Leaders Group on Climate Change" sponsored by The Prince of Wales Corporate Leaders Group on Climate Change. GAMESA has added its signature successively to the releases of Carbon Price (2012), Cancun (2010), Copenhagen (2009) and Poznan (2008) about climate change in the United Nations Framework Convention of the United Nations on Climate Change (UNFCCC). These accessions represent a call from the international business community to foster policies and take actions to combat climate change. GAMESA acceded voluntarily to the "Prince of Wales Business Leaders Group on Climate Change" as of January 21, 2013.

g) "Diversity Charter in Spain", promoted by the Fundación Diversidad, is an initiative supported by the European Commission and the Equality Ministry of Spain, so that the companies that voluntarily sign the Diversity Charter respect the current legislation in opportunity equality and against discrimination, and assume the basic guideline principles established in the declaration. GAMESA acceded oluntarily to the "Diversity Charter in Spain" as of November 3, 2014.

h) "Science Based Targets", a joint initiative of the Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), Word Resources Institute (WRI) and WWF for the purpose of elevating corporate commitments and actions in the fight against climate change. This initiative enables companies to establish emissions reduction targets that are consistent with the decarbonization levels scientifically called for to limit global warming to 2ºC in comparison with pre-industrial levels. GAMESA voluntarily adhered to this initiative on 23 November 2015.

i) "American Business Act on Climate Pledge", promoted by the government of the United States of America with a view to backing the fight against climate change and calling on its parties to adopt a firm commitment at the Paris Summit (COP 21) on 30 November 2015.

j) "Paris Pledge for Action", an inclusive initiative from the French presidency of the COP21 managed by the University of Cambridge Institute for Sustainability Leadership (CISL) that invites companies, regions, cities and investors to join together and take action to further the results of the ONU's Paris Agreement on Climate Change. Over 400 companies, 150 cities and regions, and 120 investors have currently joined this initiative. voluntarily adhered to this initiative on 4 December 2015.

Regarding the Code of Good Tax Practices of 20 July 2010, the Board of Directors of GAMESA approved the adhesion thereto in its session on 22 February 2017 and subsequently the notification to the Spanish Tax Authorities (Agencia Estatal de Administración Tributaria) of the adhesion thereof.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on February 22, 2017.

Indicate whether any Directors voted against or abstained from the approval of this report.

Yes ☐ No X

Name or company name of director who did not vote in favor of the adoption of this report	**Reasons (against, abstention, absence)**	**Explanation of the reasons**

CARLOS RODRIGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS "GAMESA CORPORACIÓN TECNOLÓGICA, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222 WITH EMPLOYER IDENTIFICATION NUMBER A-01011253.

HEREBY CERTIFY:

That the text of the consolidated management report for 2016 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., authorised for issue by the Board of Directors at its meeting held on February 22, 2017, is the content of the preceding 148 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

José María Aldecoa Sagastasoloa
Member of the Board of Directors

Francisco Javier Villalba Sánchez
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Gerardo Codes Calatrava
Member of the Board of Directors

Zamudio, February 22, 2017. In witness whereof

Approval of the Chairman

Ignacio Martín San Vicente
Chairman and CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2016

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

(Translated from the original in Spanish)

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Auditor's report on information relating to the internal control over financial reporting (ICFR) of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. for 2016

To the Directors,

At the request of the Board of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. (hereinafter the Company), and in accordance with our proposal dated December 2, 2016, we applied certain procedures to the accompanying "ICFR-related information" included in the Corporate Governance Report, hereinafter CGR, (English version pages 70 to 87) for GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and subsidiaries for 2016, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Company's internal control system as a far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Company's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Company's 2015 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with Royal Decree 1/2011, dated July 1, enacting the revised Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular nº 7/2015 dated December 22, 2015.

2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Company.

3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the the Audit Committee.

4. Compare the information contained in section 1 above with the Company's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.

5. Read the minutes of the Board Meetings, Audit Committees, and other Company committees in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.

6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Corporate Enterprises Act, by Circular number 7/2015 of the Spanish National Security Market, related to the description of the ICFR in the Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Alberto Peña Martínez
February 23, 2017

ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY

The members of the Board of Directors of Gamesa Corporación Tecnológica, S.A. state that, to the best of their knowledge, the individual annual accounts and the consolidated annual accounts for the financial year ending on December 31, 2016, issued at its meeting of February 22, 2017, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial conditions and the results of operations of Gamesa Corporación Tecnológica, S.A. as well as of the subsidiaries included within scope of consolidation, taken as a whole, and that the management report supplementing contains a fair assessment of performance and results and the position of Gamesa Corporación Tecnológica, S.A. and of the subsidiaries included within its scope of consolidation, taken a whole, as well as a description of the principal risks and uncertainties facing them.

And in order that this way it consists to the opportune effects, the present declaration is sent in conformity with arranged in the article 8.1.b) of the Royal decree 1362/2007, of October 19.

February 22, 2017.

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
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