

**Audit Report on Consolidated Financial Statements
issued by an Independent Auditor**

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. and Subsidiaries
Consolidated Financial Statements and Management Report
for the nine month period ended
September 30, 2017**

Translation of a report and consolidated financial statements originally issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails (See Note 38)

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of SIEMENS GAMESA RENEWABLE ENERGY, S.A.:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (hereinafter the parent company) and subsidiaries (hereinafter the Group), which comprise the consolidated balance sheet as at September 30, 2017, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto for the nine month period then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group as at September 30, 2017 and of its financial performance and its cash flows, all of them consolidated, for the nine month period then ended 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 (identified in Note 2 to the accompanying consolidated financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

MERGER OF THE SIEMENS WIND POWER BUSINESS WITH GAMESA

Reason for classification as a key audit matter:

On April 3, 2017, the merger of the Siemens wind power business with Gamesa Corporación Tecnológica S.A., (“Gamesa”) was completed. The Siemens Group holds 59% of the shares while Gamesa’s former shareholders hold 41% of the shares of the combined entity. This transaction is accounted in accordance with IFRS 3, *Business Combinations*. For accounting purposes, this merger qualifies as a reverse acquisition, by which the Siemens wind power business is considered as the accounting acquirer (legal acquiree) and GAMESA as the accounting acquiree (legal acquirer). This is because the Siemens Wind Power HoldCo shareholders as a group received the majority of the voting rights in the merged entity. Accordingly, the assets and liabilities of former GAMESA are measured in the Consolidated Financial Statements at their fair values as of the acquisition date.

Due to the complexity of the transaction and the associated significant risk of material misstatement, and considering the assumptions and estimates required to be made by management as part of the purchase price allocation, the accounting for this business combination was, in our professional judgment, a key audit matter.

Audit procedures:

Our audit procedures in relation to the preliminary purchase price allocation included, in addition to assessing the consideration transferred by Siemens, the evaluation of the methodological approach of the external expert engaged by management with respect to the identification of assets acquired as well as the conceptual evaluation of valuation models considering the requirements of IFRS 3. With the assistance of our internal valuation specialists, we examined the valuation methods applied in terms of the requirements defined in IFRS 13, *Fair Value Measurements*. Furthermore, we analyzed whether the assumptions and estimates (such as growth rates, cost of capital, royalty rates or remaining useful lives) used in determining the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) as of the acquisition date correspond to general and industry-specific market expectations. Additionally, we reperformed the calculations in the models and reconciled the expected future cash flows underlying the measurements with, inter alia, internal business plans. We inquired management about the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the acquired business and the company’s forecasts.

An area of focus was the determination of the fair value of technologies and the measurement of warranty obligations associated with projects. In this regard, among other procedures, we assessed the appropriateness as audit evidence of the valuation report as well as reports from external experts in the wind power sector engaged by management.

Furthermore, we analyzed the application of uniform accounting policies of the entities, the tax effects of the merger, and the processing of the initial consolidation of entities, including non-controlling interests in the consolidation system. In addition, we evaluated the disclosures in the notes to the consolidated financial statements regarding the merger in terms of the requirements defined in IFRS 3.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of the merger of the Siemens' wind power business with Gamesa are presented in the notes to the consolidated financial statements under notes 1.B "Merger of Siemens wind power business with Gamesa" and 1.D "Reverse acquisition". The Company's disclosures regarding the transaction as well as disclosures regarding the preliminary purchase price allocation are presented under note 3 "Acquisitions, dispositions and discontinued operations".

REVENUE RECOGNITION ON CONSTRUCTION CONTRACTS

Reason for classification as a key audit matter:

The Siemens Gamesa Renewable Energy Group conducts a significant portion of its business under construction contracts. Revenue recognition for such contracts is recognized in accordance with IAS 11, *Construction Contracts* by applying the percentage-of-completion ("PoC") method. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact on the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total contract costs, remaining cost to complete the contract, total contract revenues as well as contract risks, including technical, regulatory, political and legal risks.

Revenue, total contract costs and profit recognition may deviate significantly from original estimates based on new or additional information about cost overruns and changes in project scope over the term of a construction contract.

Revenue recognition according to the POC method requires SGRE management to make significant estimates regarding the planned revenues and costs, as well as the margin and the percentage of completion for each contract. Since revenues are recognized based on these estimates in each period, there is a high degree of management judgement involved. For this reason, we have considered this matter as a key audit matter for our audit.



Audit procedures:

As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phases of construction contracts. We also assessed the design and operating effectiveness of the accounting-related internal controls by examining business transactions specific to construction contracts from the initiation of the transaction through recognition in the consolidated financial statements, and testing internal controls over these processes.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects; projects with complex technical requirements or with a large portion of materials or services to be provided by suppliers, subcontractors, cross-border projects, and projects with changes in cost estimates, delays and/or low or negative margins.

Our audit procedures included, among others, review of the sample contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis, we analyzed billable revenue and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the percentage of completion, and examined the accounting for the associated positions in the statement of financial position. Considering the requirements of IAS 11, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project managers (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessment on probabilities that contract risks will materialize.

Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and legal confirmations regarding alleged breaches of contract and claims asserted) and inspected plant and project locations. To identify anomalies in profit margin development throughout the projects' execution, we also applied data analysis procedures.

Due to the large contract volume and risk profile, our audit procedures especially focused on large contracts for the construction of off- and onshore wind parks.

Reference to the accompanying disclosures:

The Company's disclosures regarding revenue recognition on construction contracts are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding provisions for impending order related losses- and risks are presented under note 23 "Provisions".

PROVISIONS

Reason for classification as a key audit matter:

In our professional judgment, the accounting for provisions for warranties as well as other legal and quality matters from or in connection with projects, was a key audit matter. These matters are particularly uncertain and requires estimates that could significantly influence the recognition and amount of respective provisions and thus, the financial position and results of operations. The uncertainties and judgmental estimates mainly concern the expected failure rates, expected repair costs, complexity of the necessary repair or replacement work, the expected period of cash outflows as well as the discount rates. As a consequence, there is significant judgement associated with the provisions to cover these risks.

Audit procedures:

Our audit procedures, amongst others, included reviewing the supporting documentation for the utilization of the provisions as of September 30, 2017, validating consistency with the most updated internal technical reports, and when available, also with the external advisors conclusions for main technical issues. Additionally, we have compared the failure rate prediction and forecasting of the average cost per exchange to incurred actuals and reviewed the recalculated related warranty accruals.

Based on to the aforementioned uncertainties, our audit procedures related to provisions for warranty and other quality matters focused on the expected failure rates, expected repair costs and the expected period of cash outflows as well as the discount rates.

Our audit procedures contained, among other things, assessing the adequacy of the opinion from the independent experts engaged by the legal representatives to support the calculation of the expected failure rates as audit evidence. In addition, we assessed the statistical methodologies applied for calculating the expected failure rates using the expertise of our valuation specialists taking into account the significant judgmental estimates in particular due to long duration. Furthermore, we evaluated current year modifications regarding expected cost and failure rates and compared actual costs and failure rates to the prior year expectations. For expected repair costs, we inquired technical and commercial managers about the current cost estimates used for the calculation.

In the course of our audit of the accounting treatment of legal and regulatory proceedings, we have concerned ourselves with the processes and internal controls implemented by the Group to identify, assess and account for legal and regulatory proceedings. To determine which potential significant pending legal proceedings or claims asserted are known and whether the estimates made by the legal representatives regarding the expected cash outflows are appropriate, our audit procedures included inquiries of legal representatives and other persons within the group familiar with these matters, obtaining written explanations by internal legal counsel addressing the measurement of the estimated cash outflow and the probability of occurrence, obtaining confirmations from external legal advisors as well as assessing written statements with respect to the accounting in the consolidated financial statements. We also examined expense accounts for legal advice, to identify circumstances not taken into account and inspected other suitable audit evidence.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of provisions are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding provisions are presented under note 23 "Provisions".

UNCERTAIN TAX POSITIONS AND DEFERRED TAXES

Reason for classification as a key audit matter:

In our professional judgment, the accounting treatment of income taxes and deferred taxes was a key audit matter as the SGRE Group operates in numerous countries and is subject to different local tax regulations. These matters are particularly uncertain and require estimates that could significantly influence the recognition and amount of respective tax positions and thus the financial position and results of the Group. The uncertainties and judgmental estimates particularly pertain to the measurement and completeness of uncertain tax positions, the recognition and recoverability of deferred tax assets and the measurement and completeness of deferred tax liabilities. As a consequence, there is significant judgement involved in the accounting for uncertain tax positions and deferred taxes.

Audit procedures:

Our audit procedures, amongst others, have been to assess the adequacy of the Directors' taxation provisions by considering factors such as the risk profile of each matter and whether the provision addresses possible penalties and interest.

With the assistance of our internal tax specialists, we verified the calculation methodologies applied with regard to income tax positions and considered the requirements under IAS 12, *Income Taxes*. Furthermore, we analyzed whether the assumptions and judgmental estimates used to determine the tax risks and potential tax implications are in line with the accounting treatment.

We inquired senior management and challenged the judgements made to assess the recoverability of the deferred tax assets recognized. Additionally, we recalculated the models used to support the recoverability of tax assets and reconciled expected future taxable income, among others, with internal business plans. We inquired management of the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the entity and the company's forecasts.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of income taxes are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding income taxes are presented under notes 26 "Income taxes expense/(income)" and 27 "Deferred taxes".

FAIR VALUE MEASUREMENTS

Reason for classification as a key audit matter:

In our professional judgment, the accounting treatment of fair value measurements was a key matter as the SGRE Group accounts for significant amount of goodwill, intangible assets and inventories. The measurement of these matters is particularly uncertain and requires estimates that could significantly influence the amounts accounted for and thus the financial position and results. The uncertainties and judgmental estimates particularly concern assessing the fair value of these assets according to IFRS 13. In addition, goodwill and intangible assets with an indefinite-life must be tested for impairment on an annual basis. This is done by determination of the recoverable amount of these assets, being the higher of value-in-use and fair value less costs to dispose. This requires significant judgements on current market conditions such as future price expectation as well as expected growth rates, the timing of future cash flows and the most appropriate discount and long-term growth rates. As a consequence, there is significant judgement regarding the fair value measurement of these positions.

Audit procedures:

In relation to the impairment tests performed for goodwill and intangible assets, we validated the key assumptions as disclosed in note 9 of the consolidated financial statements where possible with external data.

With assistance of our valuation specialists, we verified the calculation methodologies applied with regard to discounted cash flow model used to determine the recoverable amounts of the assets and the requirements under IFRS 13. Furthermore, we analyzed whether the assumptions and judgmental estimates used to determine the future cash flows as well as the parameters used are in line with the accounting treatment.

We also inquired senior management and challenged the judgements made to assess the parameters used and the cash flows planned. Additionally, we recalculated the models used to support the recoverable amount of the assets and reconciled expected future cash flows, among other, with internal business plans. We inquired management of the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the entity and the company's forecasts.

We also tested management's sensitivity analyses around key assumptions i.e. average future growth rate, long-term average growth rate and discount rate applied for the segments and challenged management on the outcomes of the assessment. We also assessed the disclosures regarding the fair value measurements with regard to the requirements under IFRS 13.



As part of our audit, we verified that inventories are measured at the lower of cost or net realizable value. In case net realizable value was below the recognized costs of these inventories, we audited that the respective inventory item was re-measured. In addition, we evaluated whether quantity risks (e.g. slow-moving or surplus items), technical risks (e.g. technical obsolescence, impaired usability, inventories destined for scrapping) and price risks (e.g. caused by changes in the price level) were considered. We also inquired senior management and challenged the judgements made regarding future price estimates, the potential project pipeline related to these inventories and the assessment of technical obsolescence used to determine the realizable value.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of fair value measurements are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding fair value measurements are presented under note 3 "Acquisitions, dispositions and discontinued operations".

Other information: consolidated management report

Other information refers exclusively to the 2017 consolidated management report, the preparation of which is the responsibility of the Company's directors of the parent company and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in the regulations governing the audit activity, which establishes two different levels of review of the same:

a) A specific level that is applicable to the status of consolidated non-financial information, as well as to certain information included in the Corporate Governance Report, as defined in art. 35.2. b) Law 22/2015, on Audit of Accounts, which consists in verifying only that the aforementioned information has been provided in the management report and, if not, to inform about it.

b) A general level applicable to the rest of the information included in the management report, which consists of evaluating and reporting on the agreement of the aforementioned information with the consolidated annual accounts, based on the Group's knowledge obtained in the performance of the audit of the aforementioned accounts and without including information other than that obtained as evidence during the same, as well as evaluating and reporting whether the content and presentation of the consolidated management report are in accordance with the regulations that are applicable. If, based on the work we have done, we conclude that there are material inaccuracies, we are obliged to report it.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2017 consolidated financial statements and their content and presentation are in conformity with applicable regulations.



Responsibilities of the parent company directors and the audit, compliance and related party transactions committee for the consolidated financial statements

The parent company directors are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and consolidated results of the Group, in accordance with the regulatory framework for 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 free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the parent company directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit, compliance and related party transactions committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the parent company management.
- Conclude on the appropriateness of the parent company director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit, compliance and related party transactions committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit, compliance and related party transactions committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit, compliance and related party transactions committee of the parent company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



Building a better
working world

Report on other legal and regulatory requirements

Additional report to the audit, compliance and related party transactions committee of the parent company

The opinion expressed in this audit report is consistent with the additional report we issued to the audit, compliance and related party transactions committee of the parent company on November 30, 2017.

Term of engagement

The ordinary general shareholders' meeting held on June 20, 2017 appointed us as Group auditors for one year, commencing on January 1, 2017.

Previously, we were appointed as auditors by the shareholders for three years and we have been carrying out the audit of the consolidated financial statements continuously since January 1, 2014.

ERNST & YOUNG, S.L.

Signed on the original in Spanish

November 30, 2017

**Siemens Gamesa Renewable Energy, S.A.
and subsidiaries composing the SIEMENS
GAMESA Group**

Consolidated Financial Statements and Management's
Report for the year ended September 30, 2017

SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES
COMPOSING SIEMENS GAMESA GROUP
CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
Thousands of euros

	Note	09.30.2017	12.31.2016
Assets			
Cash and cash equivalents	17	1,659,468	148,223
Trade and other receivables	16	1,081,139	365,535
Other current financial assets	13	175,669	96,111
Receivables from Siemens Group	33	62,010	1,142,866
Inventories	15	3,455,098	1,647,892
Current income tax assets		188,394	-
Other current assets	28	341,456	63,595
Total current assets		6,963,234	3,464,222
Goodwill	9	4,660,212	164,848
Other intangible assets	10	2,302,857	38,841
Property, plant and equipment	11	1,537,357	868,940
Investments accounting for using the equity method	12	73,609	-
Other financial assets	13	285,832	71,779
Deferred tax assets	27	534,644	114,712
Other assets		109,385	65,888
Total non-current assets		9,503,896	1,325,008
Total assets		16,467,130	4,789,230
Liabilities and equity			
Debt	21	797,018	104
Trade payables		2,231,589	697,003
Other current financial liabilities	13	96,267	63,464
Payables to Siemens Group	33	363,543	110,218
Current provisions	23	603,487	359,768
Current income tax liabilities		154,546	5,416
Other current liabilities	28	2,644,758	1,964,989
Total current liabilities		6,891,208	3,200,962
Debt	21	485,116	1,723
Post-employment benefits	24	12,617	7,082
Deferred tax liabilities	27	709,389	46,891
Provisions	23	1,701,640	887,673
Other financial liabilities	13	200,988	40,732
Other liabilities	25	16,306	18,060
Total non-current liabilities		3,126,056	1,002,161
Issued capital	19.A	115,794	68,319
Capital reserve	19.B	5,931,874	-
Unrealised asset and liability revaluation reserve	19.C	55,782	21,971
Retained earnings		493,745	502,682
Treasury shares, at cost	19.E	(21,505)	-
Currency translation differences		(128,638)	(6,931)
Non-controlling interest	20	2,814	66
Total Equity		6,449,866	586,107
Total Liabilities and Equity		16,467,130	4,789,230

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 38)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES
COMPOSING SIEMENS GAMESA GROUP**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR
THE YEAR ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
Thousands of euros

	Note	9 months period ended 09.30.2017	12 months period ended 12.31.2016
Revenue	30.A	6,538,198	6,163,896
Cost of sales		(5,956,764)	(5,163,362)
Gross profit		581,434	1,000,534
Research and development expenses		(140,957)	(198,388)
Selling and general administrative expenses		(414,198)	(289,859)
Other operating income		4,264	3,487
Other operating expenses		(30,546)	(7,619)
Income (loss) from investments accounted for using the equity method, net	12	410	-
Interest income	30.G	9,389	(673)
Interest expenses	30.H	(31,337)	(5,812)
Other financial income (expenses), net	30.F	(1,455)	2,341
Income from continuing operations before income taxes		(22,996)	504,011
Income tax expenses	26	10,217	(60,973)
Income from continuing operations		(12,779)	443,038
Income from discontinued operations, net of income taxes		-	-
Net income		(12,779)	443,038
Attributable to:			
Non-controlling interests	20	2,428	135
Shareholders of Siemens Gamesa Renewable Energy, S.A.		(15,207)	442,903
Earnings per share in euros (basic and diluted)	34	(0.03)	1.10

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 38)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES
COMPOSING SIEMENS GAMESA GROUP**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

Thousands of euros

	Note	9 months period ended 09.30.2017	12 months period ended 12.31.2016
Net income (Consolidated Statement of Profit and Loss)		(12,779)	443,038
Items that may be subsequently reclassified into profit and loss			
Currency translation differences		(121,707)	10,065
Remeasurements of defined benefit plans	24	(2,064)	-
Tax effect	24	(852)	-
Derivative financial instruments	19.C	51,013	37,891
Tax effect	19.C	(14,992)	(2,506)
Amounts transferred to profit and loss			
Derivative financial instruments	19.C	(3,416)	(25,879)
Tax effect	19.C	1,206	(2,583)
Other comprehensive income		(90,812)	16,988
Total comprehensive income		(103,591)	460,026
Attributable to:			
Non-controlling interests	20	2,428	135
Shareholders of Siemens Gamesa Renewable Energy, S.A.		(106,019)	459,891

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 38)

SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES
COMPOSING SIEMENS GAMESA GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
Thousands of euros

	Issued capital	Capital reserve	Unrealised asset and liability revaluation reserve	Retained earnings	Treasury shares at cost	Currency translation differences	Non-controlling interests	Total equity
Balances at January 1, 2016	68,319	-	15,048	(475,132)	-	(16,996)	(3,648)	(412,409)
Total comprehensive income for the year ended December 31, 2016	-	-	-	442,903	-	-	135	443,038
Other comprehensive income, net of income taxes	-	-	6,923	-	-	10,065	-	16,988
Share-based payments (Note 4.T)	-	-	-	8,044	-	-	-	8,044
Other changes in equity	-	-	-	526,867	-	-	3,579	530,446
Balances at December 31, 2016	68,319	-	21,971	502,682	-	(6,931)	66	586,107
Total comprehensive income for the year ended September 30, 2017	-	-	-	(15,207)	-	-	2,428	(12,779)
Other comprehensive income, net of income taxes	-	-	33,811	(2,916)	-	(121,707)	-	(90,812)
Share-based payments (Note 4.T)	-	-	-	10,668	-	-	-	10,668
Treasury shares transactions (Note 19.E)	-	-	-	(16,205)	15,905	-	-	(300)
Issuance of shares	47,475	6,192,337	-	-	(37,410)	-	448	6,202,850
Contribution	-	813,351	-	-	-	-	-	813,351
Extraordinary Dividend payment	-	(998,674)	-	-	-	-	-	(998,674)
Ordinary Dividend	-	(75,140)	-	-	-	-	-	(75,140)
Other changes in equity	-	-	-	14,723	-	-	(128)	14,595
Balances at September 30, 2017	115,794	5,931,874	55,782	493,745	(21,505)	(128,638)	2,814	6,449,866

SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES
COMPOSING SIEMENS GAMESA GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

Thousands of euros

	Note	9 months period ended 09.30.2017	12 months period ended 12.31.2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxes		(22,996)	504,011
Adjustments to reconcile income before taxes to cash flows from operating activities			
Interest (income) expenses, net		23,402	5,450
Amortization, depreciation and impairments	10 and 11	472,012	163,605
(Income) loss related to investing activities		3,466	4,112
Other non-cash (income) expenses		26,863	(4,979)
Change in operating net working capital			
Inventories		(544,414)	(204,966)
Advance payments received		(402,786)	44,803
Trade and other receivables		318,623	242,865
Trade payables		(48,636)	40,474
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances		(315,348)	(213,220)
Change in other assets and liabilities		227,313	281,988
Income taxes paid		(94,307)	(982)
Dividends received		2	-
Interest received		7,813	26
CASH FLOWS FROM OPERATING ACTIVITIES		(348,993)	863,187
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets and property, plant and equipment	10 and 11	(411,865)	(392,543)
Acquisitions of businesses, net of cash acquired	3	9,150	-
Purchase of investments		(2,017)	(200)
Disposal of intangibles and property, plant and equipment		4,119	6,187
CASH FLOWS FROM INVESTING ACTIVITIES		(400,613)	(386,556)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash contributions from majority shareholder	1.B	813,351	-
Repayment of long-term debt (including current maturities of long-term debt)		-	(46)
Change in short-term debt and other financing activities		261,263	-
Financing transactions with related parties		1,341,543	(330,812)
Dividends paid		(75,140)	-
Interest paid		(27,421)	(5,627)
Purchase / sales of treasury shares		(300)	-
CASH FLOWS FROM FINANCING ACTIVITIES		2,313,296	(336,485)
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(52,445)	448
CHANGE IN CASH AND CASH EQUIVALENTS		1,511,245	140,594
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		148,223	7,629
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,659,468	148,223

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish – language version prevails (Note 38).

Siemens Gamesa Renewable Energy, S.A. and Subsidiaries composing the SIEMENS GAMESA Group

Notes to the Consolidated Financial Statements for the
year ended September 30, 2017

1. Formation of the Group and its activities

A. GENERAL INFORMATION

The Consolidated Financial Statements present the financial position and the results of operations of SIEMENS GAMESA Renewable Energy, S.A. (previously Gamesa Corporación Tecnológica, S.A.) (hereinafter “the Company” or “SIEMENS GAMESA”), headquartered at Parque Tecnológico de Vizcaya, Edificio 222, Zamudio (Bizkaia – Spain), and its subsidiaries (together referred to as the “Group”).

The Shareholders' Meeting of the Company held on June 20, 2017 approved, among others, the change of the Company name from Gamesa Corporación Tecnológica, S.A. to SIEMENS GAMESA Renewable Energy, S.A., as well as the year end closing date, from December 31 to September 30.

SIEMENS GAMESA specializes in the development and construction of wind farms, as well as the engineering, design, production and sale of wind turbines. The corporate purpose of the Company is to promote and foster companies, and to do so it may carry out the following operations:

- a. The subscription and purchase of shares or stocks, or of securities that can be converted into these, or which grant preferential purchase rights, of companies whose securities are listed or not in national or foreign stock exchanges;
- b. The subscription and purchase of fixed-income securities or any other securities issued by the companies in which they hold a stake, as well as the granting of participatory loans or warranties; and
- c. To directly provide advisory services and technical assistance to the companies in which they hold a stake, as well as other similar services related to the management, financial structure, or production or marketing processes of those companies.

These activities will focus on the development, design, construction, manufacture and supply of products, installations and technologically advanced services in the renewable energy sector.

All the activities comprising the aforementioned corporate purpose can be undertaken both in Spain and abroad, and can be carried out completely or partially, in an indirect manner, through the ownership of shares or stocks in companies with the same or similar purpose.

The Company will not undertake any activity for which the laws require specific conditions or limitations, so long as these conditions or limitations are not exactly fulfilled.

Its activities are divided into two business segments: Wind Turbines and Operation and Maintenance. The Wind Turbines division offers wind turbines for various pitch and speed technology, as well as provides development, construction and sale of wind farms. The Operation and Maintenance division is responsible for the management, monitoring and maintenance of wind farms.

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

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

SIEMENS GAMESA prepares and reports its Consolidated Financial Statements in thousands of euros. Due to rounding, numbers presented may not add up precisely to totals provided.

B. MERGER OF SIEMENS WIND POWER BUSINESS WITH GAMESA

On 17 June 2016, Gamesa Corporación Tecnológica, S.A. (“GAMESA”) and Siemens AG (“SIEMENS”) signed a binding Merger agreement whereby both parties agreed on the terms and conditions pursuant to which GAMESA and the Siemens Wind Power Business (as defined therein) would be combined by way of a statutory Merger by absorption of Siemens Wind HoldCo, S.L. (as absorbed entity) by and into GAMESA (as absorbing entity) (the “Merger”) with the dissolution without liquidation of the former and the en bloc transfer of all of its assets and liabilities to the latter, which has acquired by universal succession all of the rights and obligations of Siemens Wind HoldCo, S.L.

At the signing date of the Merger agreement, the Siemens Wind Power Business was not held by a separate sub-group within the Siemens Group but by various entities within it. In order to allow the integration of the Siemens Wind Power Business with GAMESA's business through the Merger, Siemens implemented an internal carve-out process, as a result of which the Siemens Wind Power Business was held, directly or indirectly, by Siemens Wind HoldCo, S.L., Zamudio/Spain.

The carve-out was implemented through (i) the execution of asset transfer agreements and/or (ii) the acquisition, transfer or contribution of shares. As a result of the foregoing, Siemens Wind HoldCo, S.L. became the direct or indirect owner of the Siemens Wind Power Business.

In the context of the Siemens Wind Power carve-out, the shares in Siemens Wind HoldCo, S.L. were split and assigned a nominal value of EUR 0.17 per share and a share capital increase of Siemens Wind HoldCo, S.L. by contributions in kind was approved by Siemens, effective as of December 31, 2016. As a result, the share capital in Siemens Wind HoldCo, S.L. amounted to EUR 68,318,681.15, divided into 401,874,595 shares of EUR 0.17 par value each, fully subscribed and paid up; and Siemens Wind HoldCo, S.L. ceased to be a sole shareholding company, being its shareholders SIEMENS (holder of 51.06% of the share capital) and Siemens Beteiligungen Inland GmbH (holder of 48.94% of the share capital).

The Merger was approved by the Extraordinary General Shareholders' Meeting of GAMESA on October 25, 2016 and by SIEMENS at that moment, as sole shareholder of Siemens Wind HoldCo, S.L. (“Siemens Wind Power Parent”), on October 26, 2016. As mentioned before, in addition to SIEMENS, another company within the Siemens Group (Siemens Beteiligungen Inland GmbH) also became shareholder of Siemens Wind Power Parent and, consequently and pursuant to the Merger, has also become shareholder of SIEMENS GAMESA. SIEMENS and Siemens Beteiligungen Inland, received according to the Merger exchange ratio, shares of GAMESA representing approximately 59% of the capital (401,874,595 shares), while GAMESA's remaining shareholders hold shares representing approximately the other 41% of the merged company.

The Merger exchange ratio for the shares of GAMESA and Siemens HoldCo, S.L., has been determined based on the fair value of their assets and liabilities, which in the case of Siemens HoldCo, S.L. are those held by the company upon completion of the carve-out process, and has been agreed between parties as one share of GAMESA, with a nominal value of EUR 0.17, for each share of Siemens Wind HoldCo, S.L.

The exchange ratio has been covered by newly-issued shares in GAMESA created as a consequence of a capital increase for a nominal amount of EUR 68,318,681.15 represented by 401,874,595 shares, each with a nominal value of EUR 0.17, in aggregate representing approximately 59% of the share capital in GAMESA upon effectiveness of the Merger. All the shares of Siemens Wind HoldCo, S.L. representing its entire share capital (i.e., 401,874,595 shares of EUR 0.17 par value each, amounting to a total of EUR 68,318,681.15) was part of the exchange.

The Merger exchange ratio has been determined under certain assumptions with regard to the level of working capital and net debt of the GAMESA Group and the Siemens Wind Power Business as at December 31, 2016. The deviation of the net debt and working capital of GAMESA Group and the Siemens Wind Power Business as at December 31, 2016 with respect to those assumptions has been offset, and the net deviation has been corrected by SIEMENS on the Merger Effective Date by extracting cash, for no consideration, out of Siemens Wind HoldCo, S.L in amount of EUR 233,908 thousands, so that the exchange ratio agreed between the parties is not affected by the aforementioned deviation (the "Exchange Ratio Settlement"). For certain individual items in the calculation of the deviation, as agreed between the parties, the amounts have been fixed, and for the majority of the items the amounts are those as of December 31, 2016.

The Merger was registered with the Mercantile Register on April 3, 2017 ("Merger Effective Date"), and the accounting effects of the Merger have been considered from then on. As part of the Merger closing actions, GAMESA's Extraordinary General Shareholders' Meeting approved on October 25, 2016, an Extraordinary Merger dividend in a gross amount of EUR 3.75 per share.

The shares issued by GAMESA for the exchange entitled the Siemens Wind HoldCo, S.L. shareholders, as from the Merger Effective Date, to participate in the earnings of GAMESA under the same terms and conditions as the other shares of GAMESA in trading at that date. However, the Siemens Wind HoldCo, S.L. shareholders were not entitled to receive the Extraordinary Merger Dividend. In this regard, the Extraordinary Merger dividend was payable to a maximum of 279,268,787 shares and, consequently, amounts to a maximum of EUR 1,047,257,951.25 in aggregate. However, the gross amount of the Extraordinary Merger Dividend should be reduced by the ordinary dividend effectively paid by GAMESA to its shareholders pursuant to the distribution approved by the General Shareholders' Meeting of GAMESA held on June 22, 2016, on second call, in a gross maximum amount of EUR 0.1524 per share (reduction of the initial gross amount to EUR 999 million). No additional ordinary dividend had been effectively distributed by GAMESA to its shareholders before the Merger Effective Date.

C. ADWEN OFFSHORE, S.L. (hereinafter "ADWEN")

On January 5, 2017 Areva Energies Renouvelables SAS (hereinafter "AREVA") sold to GAMESA its 50% stake in ADWEN's share capital, by exercising a put option granted to it on June 17, 2016. After this transaction GAMESA became the 100% owner of ADWEN's share capital.

Even though GAMESA owned 100% of ADWEN's share capital since January 5, 2017, the full consolidation of ADWEN occurred for the first time at the Merger Effective Date. This is due to the SIEMENS GAMESA Merger Agreement which prohibited GAMESA to carry out certain business actions without SIEMENS' approval. In the particular case of material decisions in ADWEN, such as the modification of contracts with specific clients, needed the approval from SIEMENS. Thus, GAMESA did not have control over ADWEN until the Merger Effective Date, even though being the sole shareholder of ADWEN.

D. REVERSE ACQUISITION

For accounting purposes, the Merger qualifies as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer (legal acquiree) and GAMESA as accounting acquiree (legal acquirer). This is because the Siemens Wind Power HoldCo Shareholders, as a Group, receive the largest portion of the voting rights in the merged entity. Accordingly, the assets and liabilities of GAMESA and ADWEN are included in the Consolidated Financial Statements at their acquisition-date fair values.

Siemens Wind Power Business has applied the predecessor accounting method considering the carve-out process as a reorganisation among entities under common control. This means that the assets and liabilities of Siemens Wind Power Business are stated at the amounts historically disclosed in the SIEMENS Consolidated Financial Statements.

E. COMPOSITION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As a result, the Consolidated Financial Statements reflect the following structure of SIEMENS GAMESA Group and of their initial measurement:

Prior Year	Current Year		
01.01.2016 – 12.31.2016	01.01.2017 – 04.02.2017	04.03.2017 – 09.30.2017	
Siemens Wind Power Business	Siemens Wind Power Business	Siemens Wind Power Business	GAMESA / ADWEN
Historical Cost (Predecessor Accounting)	Historical Cost (Predecessor Accounting)	Historical Cost (Predecessor Accounting)	Fair Value at acquisition date (IFRS 3), subsequent movement at historical cost

F. ENVIRONMENTAL INFORMATION

In view of the business activities carried on by the SIEMENS GAMESA Group, it does not have any environmental liabilities, 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 matters 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

These Consolidated Financial Statements have been prepared in accordance with IFRS. They were authorised for issue for SIEMENS GAMESA's Board of Directors on November 30, 2017.

B. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

B.1) Standards and amendments published by the IASB (International Accounting Standards Board) and adopted by the European Union for its application in Europe from January 1, 2017:

There are no standards and amendments published by the International Accounting Standards Board (IASB) with an Effective Date from January 1, 2017, which have been already endorsed by the European Union.

The endorsement of "Amendment 12: Recognition of Deferred Tax Assets for Unrealised Losses", "Amendment to IAS 7: Disclosure Initiative" and "Annual Improvements to IFRS Standards 2014 – 2016 Cycle", all with an IASB Effective Date of January 1, 2017, is currently expected for the 4th quarter of 2017.

B.2) At the date of preparation of these Consolidated Financial Statements the following standards, amendments and interpretations whose effective data is subsequent to September 30, 2017 have been issued:

Standards, amendments and interpretations		IASB Effective Date
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customer	January 1, 2018
Clarifications to IFRS 15	Revenue from Contracts with Customer	January 1, 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018
IFRIC 22	IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

SIEMENS GAMESA analyzed the expected impact resulting from the standards, amendments and interpretations mentioned above which have been published by the IASB, but are not yet effective. In addition to the more specified analysis below, the Group does not expect a significant impact on the Consolidated Financial Statements resulting from these changes.

IFRS 15 Revenue from Contracts with Customer

According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. SIEMENS GAMESA will adopt the standard for the year beginning as of October 1, 2017 using the full retrospective approach, i.e. the comparable period will be presented in accordance with IFRS 15.

The Group is currently analyzing the potential impacts that the application of IFRS 15 might have on its Consolidated Financial Statements. Based on this analysis, SIEMENS GAMESA identified so far especially the two following effects:

- The regulations of IFRS 15 are specific for the fact that for each contract only one contract asset or one contract liability can be presented. If this specific regulation had been applied as of September 30, 2017, contract liabilities (included in the line item "other current liabilities") and contract assets (included in the line item "inventories") would have decreased by EUR 217 million.
- Under IFRS 15, recognition of a provision for an onerous contract does not require an impairment of contract assets. As a result, a netting of contract assets according to IFRS 15 and a provision for an onerous contract according to the regulations for provisions (IAS 37) is not permitted. If this specific regulation of IFRS 15 had been applied already as of September 30, 2017, contract assets (included in the line item "inventories") would have increased by EUR 117 million together with an equivalent increase of provisions for onerous contracts.

The application of IFRS 15 will lead to further changes which as of now are not expected to have a material impact on the Consolidated Financial Statements of SIEMENS GAMESA. In particular no significant changes are expected in the following areas:

- A majority of sales of SIEMENS GAMESA are carried out through construction contracts. Based on analyses performed, the vast majority of construction-type contracts currently accounted for under the percentage-of-completion method is expected to fulfil the requirements for revenue recognition over time and will therefore not lead to a change in the timing of the revenue recognition.

- IFRS 15 introduces a new conceptual approach for determining the transaction price, which will be the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Based on analyses performed, it is currently not expected that significant changes will result from this new conceptual approach.

IFRS 9 Financial Instruments

IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. SIEMENS GAMESA will adopt IFRS 9 for the year beginning as of October 1, 2018 and is currently assessing the impacts of its adoption on the company's Consolidated Financial Statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

SIEMENS GAMESA is currently assessing the impact of adopting IFRS 16 on the Group's Consolidated Financial Statements and will adopt the standard for the year beginning as of October 1, 2019.

C. FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in euros, which is SIEMENS GAMESA's functional currency. All amounts have been rounded to the nearest thousands, unless otherwise indicated.

Transactions denominated in currencies other than the euro are recognised in accordance with the policies described in Note 4.M.

D. COMPARATIVE INFORMATION OF PRIOR PERIOD

As required by IAS 1, the Consolidated Financial Statements are shown together with comparative information in respect of the prior period for all amounts reported in the current period's Financial Statements.

All references to the "year ended September 30, 2017" refer to the 9-months period ended on that date, whereas the references to year 2016 refers to the 12-months period.

Due to the reverse acquisition, described in Note 1.D, the comparative financial information reflects the Siemens Wind Power Business as the accounting acquirer. The financial information for the Siemens Wind Power Business was derived from the segment reporting for the Siemens Wind Power Division as applied for the preparation of SIEMENS' Consolidated Financial Information. The segment reporting included all operating assets, liabilities, revenues and expenses in the pre-existing legal entities, the legal entities created as part of the carve-out ("Siemens Wind Power NewCos") and the Siemens Wind Power Business in SIEMENS' regional companies that has not yet been carved-out. It does not include the items real estate, tax, treasury and pensions, which SIEMENS manages centrally to the extent that Siemens Wind Power related balances have not yet been transferred to pre-existing legal entities or Siemens Wind Power NewCos.

In order to reflect the assets and liabilities as of December 31, 2016 as well as the revenues and costs for the year then ended, that fall within the scope of the Merger, the assets, liabilities and related income and/or expenses that have been added to or excluded from the segment reporting of the Siemens Wind Power Division with the purpose of deriving the comparative financial information for the period are disclosed below.

The comparative financial information for the Siemens Wind Power Business excluded the following at-equity investments and financial assets, including their impact in the Statement of Profit and Loss, of the Siemens Wind Power Division that are not part of Siemens Wind Power Business Scope:

- Stake in Voith Hydro Holding GmbH & Co KG (Heidenheim, Germany)
- Stake in A2Sea A/S Frederica (Denmark)
- Stake in Gwynt Y Mor Offshore Wind Farm Ltd.
- Stake in Atlantis Resources Limited (UK)

The comparative financial information included owned real estate and related assets and liabilities as well as leasehold assets of the three pre-existing legal entities in Denmark, China and Morocco as well as of the Siemens Wind Power NewCos.

The comparative financial information included the net pension liability and related interest expense and service costs for active employees related to the Siemens Wind Power Business as far as the net pension liability has to be legally transferred.

Liabilities related to equity-based instruments and retention bonuses granted to Siemens Wind Power employees as well as the related impact in the Statement of Profit and Loss were excluded as SIEMENS will indemnify Siemens Wind Power from any impact (costs / expenses) resulting from existing equity instruments and retention payments.

Treasury and taxation activities relating to the pre-existing legal entities and to the Siemens Wind Power NewCos from their respective carve-out date on, as well as deferred taxes on consolidation adjustments were included. The comparative financial information did not include treasury activities and taxation activities relating to the Siemens Wind Power business within SIEMENS regional companies not yet carved-out at December 31, 2016, which also comprises assets and liabilities related to non-income tax balances (e.g. sales tax, wage tax and other similar taxes).

Trade receivables from or payables to SIEMENS Group have been eliminated with the exception of those recorded in pre-existing Siemens Wind Power legal entities (Denmark, China and Morocco) and the Siemens Wind Power NewCos. These balances were settled prior to or shortly after the Merger.

Any balances that remain in the regional companies after carve-out of the Siemens Wind Power activities ("excluded assets and liabilities") to the extent not already covered by the above adjustments are excluded from the comparative financial information.

SIEMENS did not transfer its Siemens Wind Power Business in the regional companies to the Siemens Wind Power NewCos for a negative purchase price or, in case of local demergers or transfers at book value, at negative net asset value. In these situations Siemens injects additional cash into the Siemens Wind Power NewCos. This cash is considered in the comparative financial information.

E. BASIS OF CONSOLIDATION

Subsidiaries

The Consolidated Financial Statements include the Financial Statements of SIEMENS GAMESA and its subsidiaries. Subsidiaries are all entities (including structured entities), which are controlled by SIEMENS GAMESA. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully 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.

Associated companies

Associates are companies over which SIEMENS GAMESA has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights). These are recorded in the Consolidated Financial Statements using the equity method and are initially recognised at cost. SIEMENS GAMESA's share of its associate's post-acquisition profits or losses is recognised in the Consolidated Statement of Profit and Loss, and its share of post-acquisition changes in equity that have not been recognised in the associate's profit or loss is recognised directly in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate (Notes 2.F and 12).

Significant influence is deemed not to exist in specific case where, although SIEMENS GAMESA holds more than 20% of the shares, the absence of significant influence can be clearly demonstrated. Significant influence is deemed to exist when the SIEMENS GAMESA Group has the power to influence on the financial and operating policies of an investee.

Joint ventures

Joint ventures are entities over which SIEMENS GAMESA and one or more parties have joint control. Joint control requires unanimous consent of the parties sharing control in decision making on relevant activities. The Group records its stakes in joint ventures with the equity method.

A list of SIEMENS GAMESA's subsidiaries, joint ventures and associates, together with the consolidation or measurement method used in preparing the accompanying Consolidated Financial Statements and other relevant information are disclosed in the Appendix of these Consolidated Financial Statements.

Business combinations

The cost of an acquisition is measured at the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are initially measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting Profit and Loss. At the date control is lost, any retained equity interests are remeasured to fair value. In case of a written put option on non-controlling interests the Company assesses whether the prerequisites for the transfer of present ownership interest are fulfilled at the balance sheet date. If the Company is not the beneficial owner of the shares underlying the put option, the exercise of the put option will be assumed at each balance sheet date and treated as equity transaction between shareholders with the recognition of a purchase liability at the respective exercise price. The non-controlling interests participate in profits and losses during the reporting period.

Foreign currency translation

Assets and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the spot exchange rate at the end of the reporting period, while the Consolidated Statement of Profit and Loss are translated using average exchange rates during the period. Differences arising from such translations are recognised within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognised.

F. CHANGES IN THE SCOPE OF CONSOLIDATION

In line with the SIEMENS GAMESA Merger, further described under 1.B, 240 fully consolidated companies and 10 companies consolidated at equity were added to the scope of consolidation as of April 3, 2017. A list of legal entities included in line with the Merger is disclosed in the Appendix of these Consolidated Financial Statements.

In addition, the following entities have been constituted or acquired during the year:

Company constituted / acquired	Holding company of the stake	Percentage of stake of the Group
Poovani Wind Farms Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Devarabanda Renewable Energy Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Gagodar Renewable Energy Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Ghatpimpri Renewable Pvt. Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Kod Renewable Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Viralipatti Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Tirupur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Thoothukudi Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Sankanur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Rangareddy Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Pugalur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Osmanabad Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Nellore Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Kutch Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Koppal Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Jodhupur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Jalore Wind Park Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Gadag Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Dhone Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Channapura Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bidwal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Beed Renewable Energy Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Latur Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Sanchore Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Tuljapur Wind Farms Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Mathak Wind Farms Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bhuj Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bapuram Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Uppal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Gudadanal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Haveri Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Nirlooti Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Neelagund Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Hungund Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Saunshi Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Chikkodi Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Umrani Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Zalki Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Hattarwat Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
International Wind Farm Development I Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development II Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development IV Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development V Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development VII Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
Siemens Gamesa Renewable Energy Installation & Maintenance, Compañía Limitada	Siemens Gamesa Renewable Energy Latam, S.L. / Siemens Gamesa Renewable Energy Innovation & Technology, S.L.	100%
Gesa Oax I Sociedad Anónima de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Gesa Oax III Sociedad Anónima de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Siemens Gamesa Renewable Energy LLC	Siemens Gamesa Renewable Energy APAC, S.L.	100%
Gamesa Pakistan (Private) Limited	Siemens Gamesa Renewable Energy APAC, S.L.	100%

In addition, the following entities have been dissolved during the period:

Company dissolved	Holding company of the stake	Percentage of stake of the Group
Mahantango Wind, LLC	Gamesa Wind US LLC	100%
Crescent Ridge 2, LLC	Gamesa Wind US LLC	100%
Muskegon Wind, LLC	Gamesa Wind US LLC	100%
Baileyville Wind Farm, LLC	Navitas Energy Inc.	100%
Gamesa Trading Tianjin Co., Ltd.	Gamesa Wind Tianjing Co., Ltd.	100%

No additional entities left the scope of consolidation during the period due to sales or winding up of companies.

Finally, during the year 2017 the name of the following companies has been modified:

Previous Denomination	New Denomination
Siemens Wind Power A/S	Siemens Gamesa Renewable Energy A/S
Siemens Wind Power Pty Ltd	Siemens Gamesa Renewable Pty Ltd
Siemens Wind Power S.A.S.	Siemens Gamesa Renewable Energy S.A.S.
Gamesa Financiación, S.A.	Siemens Gamesa Renewable Finance, S.A.
Gamesa Eólica, S.L. Unipersonal	Siemens Gamesa Renewable Energy Eólica, S.L.
Gamesa Europa, S.L.U.	Siemens Gamesa Renewable Energy Europa S.L.
Gamesa Energía, S.A. Unipersonal	Siemens Gamesa Renewable Energy Wind Farms, S.A.
Gamesa Wind UK Limited	Siemens Gamesa Renewable Energy Wind Limited
9Ren España S.L.	Siemens Gamesa Renewable Energy 9REN, S.L.
Gamesa Inversiones Energéticas Renovables, S.A.	Siemens Gamesa Renewable Energy Invest, S.A.
Gamesa Renewable Pvt Ltd, Chennai	Siemens Gamesa Renewable Power Private Limited
Gamesa Latam S.L.	Siemens Gamesa Renewable Energy Latam, S.L.
Gamesa Apac S.L.U.	Siemens Gamesa Renewable Energy Apac, S.L.
International Wind Farm Services, S.A.U.	Siemens Gamesa Renewable Energy International Wind Services, S.A.U.
Gamesa Energy UK Limited	Siemens Gamesa Renewable Energy UK Limited
Gamesa Energiaki Hellas S.A.	Siemens Gamesa Renewable Energy AE
Gamesa Energie France SAS	Siemens Gamesa Renewable Energy France SAS
Gamesa Innovation & Technology, S.L.U.	Siemens Gamesa Renewable Energy Innovation & Technology, S.L.
Gamesa Eólica Brasil, Ltda.	Siemens Gamesa Energia Renovável Ltda.
B9 Energy O&M Limited	Siemens Gamesa Renewable Energy B9 Limited
Gamesa Azerbaijan Limited Liability Company	Siemens Gamesa Renewable Energy Limited Liability Company
Gamesa Wind Hungary Wind Turbine Services Kft	Siemens Gamesa Megújuló Energia Hungary Kft
Gamesa Eólica Italia S.R.L.	Siemens Gamesa Renewable Energy Wind S.R.L.
Gamesa New Zealand Limited	Siemens Gamesa Renewable Energy New Zealand Limited
Gamesa Kenya Limited	Siemens Gamesa Renewable Energy Limited
Gamesa Finland Oy	Siemens Gamesa Renewable Energy Oy
Gamesa Belgium, SPRL	Siemens Gamesa Renewable Energy Belgium, SPRL
Gamesa Energía Italia S.P.A.	Siemens Gamesa Renewable Energy Italy, S.P.A.
Gamesa Lanka Pvt. Ltd.	Siemens Gamesa Renewable Energy Lanka Pvt. Ltd.
Gamesa Eólica Greece, E.P.E. (LLC)	Siemens Gamesa Renewable Energy Greece E.P.E.
Gamesa Mauritania, SARL	Siemens Gamesa Renewable Energy, SARL
Gamesa Cyprus Ltd.	Siemens Gamesa Renewable Energy Limited
Siemens Wind Power AS	Siemens Gamesa Renewable Energy AS
Gamesa Rüzgar Enerjisi Servis Limited Sirketi	Siemens Gamesa Turkey Renewable Energy Limited Company
Gamesa (Mauritius), Limited	Siemens Gamesa Renewable Energy, Ltd
Jodhpur Renewable Pvt. Ltd, Chennai	Jodhpur Wind Farms Private Limited, Chennai
Siemens Wind Power d.o.o.	Siemens Gamesa Renewable Energy Limited

3. Acquisitions, dispositions and discontinued operations

As described in Note 1.D, the Merger qualifies for accounting purposes as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer and GAMESA as accounting acquiree. SIEMENS acquired 59% of GAMESA in exchange for 41% of its Wind Power Business and an extraordinary Merger dividend of EUR 998.7 million. As SIEMENS and GAMESA only exchange equity interests, the market share price of GAMESA at the Merger Effective Date is the best indicator of the consideration paid for the assets and liabilities of GAMESA, which has been EUR 22.345 per share (relevant share price as of April 3, 2017). Accordingly, the consideration transferred amounts to EUR 6,203 million.

The assets and liabilities of GAMESA as accounting acquiree including the assets and liabilities of ADWEN are included in the Consolidated Financial Statements at their acquisition-date fair values. The following figures result from the preliminary Purchase Price Allocation as of the acquisition date: Other intangible assets EUR 2,533 million, Property, plant and equipment EUR 628 million, Trade and other receivables EUR 1,073 million, Inventories EUR 1,116 million, Other financial assets EUR 413 million (current and non-current), Cash and cash equivalents EUR 1,003 million, Other current assets EUR 206 million, Current income tax assets EUR 179 million, Deferred tax assets EUR 432 million, Debt including outstanding financial debt settled EUR 1,019 million (short term and long term), Trade payables EUR 1,745 million, Other current liabilities EUR 662 million, Other financial liabilities EUR 286 million (current and non-current), Provisions EUR 1,227 million (current and non-current), Current income tax liabilities EUR 118 million and Deferred tax liabilities EUR 824 million. Intangible assets mainly relate to technology of EUR 1,147 million, customer relationships of EUR 958 million and order backlog of EUR 429 million.

Preliminary goodwill amounts to EUR 4,438 million and comprises intangible assets that are not separable such as employee know-how and expected synergy effects. The preliminary goodwill has been provisionally allocated to business units (Note 9) as the analysis of the synergies resulting from the transaction is still ongoing.

The acquired business contributed revenues of EUR 1,659 million and a negative net income of EUR 209 million (including Purchase Price Allocation charges) to SIEMENS GAMESA for the period from the acquisition date to September 30, 2017. The revenue and profit of the combined entity for the current reporting period as though the acquisition date had been as of the beginning of the annual reporting period (January 1, 2017) amounts to EUR 8,200 million and EUR 35 million (including Purchase Price Allocation charges).

The account "Acquisition of businesses net of cash acquired" in the Consolidated Statement of Cash Flows includes the extraordinary Merger dividend amounting to EUR 998.7 million net of the cash of the former GAMESA Group at the date of acquisition.

Transaction cost of EUR 20 million was expensed and is included in administrative expenses.

The accounting for this business combination has been determined provisionally as of the date of preparation of these Consolidated Financial Statements, due to the fact that the valuation of the acquired assets and liabilities has not yet been completed and neither has the 12 month period since the acquisition of GAMESA, as established by IFRS 3 "Business Combinations".

4. Accounting principles and policies and measurement methods applied

A. REVENUE RECOGNITION

Under the condition that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is probable that the economic benefits will flow to SIEMENS GAMESA and revenues can be reliably measured, regardless of when the payment will take place. In cases where the in-flow of economic benefits is not probable due to customer related credit risks, the revenue recognised is subject to the amount of irrevocable payments received.

Sales from construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. When the outcome of a construction contract can be reliably estimated, revenues from construction-type projects are generally recognised under the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. An expected loss on the construction contract is recognised as an expense immediately. When the outcome of a construction contract cannot be reliably estimated (1) revenue is recognised only to the extent it is probable that incurred contract costs are recoverable, and (2) contract costs are recognised as an expense in the period in which they are incurred.

In the case that separate legal entities are set-up for the development and sale of wind farms, the non-current assets (basically wind turbines, fixtures and civil engineering work) of the wind farms adopting the legal structure of a public or private limited liability company whose shares are fully consolidated in the accompanying Consolidated Financial Statements (see Appendix), are classified as inventories and are measured in the same way as other inventories and are included in the percentage-of-completion calculations in the Consolidated Financial Statements when the requirements therefore are fulfilled.

SIEMENS GAMESA Group recognises for construction contracts in progress the costs and earnings in excess of billings under inventories (Note 15) and the progress billings in excess of costs and recognised profits (less recognised losses) under other current liabilities (Note 28) in the Consolidated Financial Statements.

Advances paid to suppliers are also included within inventories.

Other current liabilities mainly comprise billings in excess of costs and estimated earnings on uncompleted contracts and related advances, as well as advance payments received.

B. FUNCTIONAL COSTS

In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Amortization, depreciation and impairment of intangible assets and property, plant and equipment are included in functional costs depending on the use of the assets.

C. RESEARCH AND DEVELOPMENT COSTS

Costs of research activities are expensed as incurred. Costs of development activities are capitalized when the recognition criteria in IAS 38 are met. Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

The amortization of development costs begins when the projects are in the conditions necessary for them to be capable of operating in the manner initially intended by the SIEMENS GAMESA Group. The expenditure is amortized 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.

D. GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly.

Government grants for future expenses are recorded as deferred income and allocated to income under "Other operating income" caption in the year in which the related expenses are incurred. In this connection, government grants included in "Other operating income" in the Consolidated Financial Statements amount to EUR 3.5 million.

E. GOODWILL

Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint operation, joint venture or associate at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

F. OTHER INTANGIBLE ASSETS

Other intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Other intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values. Intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized, but instead tested for impairment at least annually.

Other intangible assets consist of software, patents, licenses and similar rights. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to ten years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships, order backlog and technology.

G. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is valued at acquisition cost less any accumulated depreciation and any recognised impairment losses. In addition to the purchase price, acquisition costs include non-recoverable indirect taxes and any other costs directly attributable to bringing the asset to the location and condition necessary for its intended use (including borrowing costs incurred during the construction period).

Subsequent costs, e.g. in connection with the expansion, modernisation or improvement of an asset, are recognised in the carrying amount of the concern asset when it is probable that the costs incurred result in future economic benefits to SIEMENS GAMESA. All other costs incurred for ordinary repairs and maintenance are recognised in the Statement of Profit and Loss as incurred.

Depreciation expense is recognised using the straight-line method. The following useful lives are assumed:

	Average estimated useful life
Factory and office buildings	20 – 50
Other buildings	5 – 10
Technical machinery & equipment	5 – 10
Other property, plant and equipment	3 – 10

Assets under construction are not depreciated.

H. IMPAIRMENT OF ASSET

Property, plant and equipment and other intangible assets are reviewed for impairment at the cash generating unit level whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test.

I. INVENTORIES

Inventories are valued at the lower of acquisition or production costs and net realizable value, and the costs are generally determined on the basis of an average or first-in, first-out method. In determining the net realizable value of inventories, write-downs based on expected inventory usefulness or marketability are taken into account. The criteria for inventory usefulness or marketability cover quantity, technical and price risks.

J. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Based on their nature, financial instruments are classified as financial assets, financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value. Regular way purchases or sales of financial assets are accounted for at the trade date. Initially, financial instruments are recognised at their fair value. Transaction costs are only included in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned:

- cash and cash equivalents;
- available-for-sale financial assets;
- loans and receivables;
- financial liabilities measured at amortized cost; and
- financial assets and liabilities classified as held for trading.

Cash and Cash Equivalents

SIEMENS GAMESA Group considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost (Note 17).

Available-for-sale financial assets

Investments in equity instruments, debt instruments and fund shares are measured at fair value, if reliably measurable. Unrealized gains and losses, net of applicable deferred income tax expenses, are recognised under line item "Other components of equity". Provided that fair value cannot be reliably determined, SIEMENS GAMESA measures available-for-sale financial assets at cost. This applies to equity instruments that do not have a quoted market price in an active market, and for which decisive parameters cannot be reliably estimated in order to be used in valuation models for the determination of fair value. Due to the latter, all the available-for-sale financial assets of SIEMENS GAMESA Group are measured at cost as of September 30, 2017 (Note 14).

Loans and receivables

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts.

Financial Liabilities

SIEMENS GAMESA Group measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

- Bank Borrowings:

Loans, bonds and similar interest-bearing items are initially recognised at the amount received, net of direct issuance costs, under the "Debt" line item of the Consolidated Balance Sheet. Borrowing costs are recognised on an accrual basis in the Consolidated Statement of Profit and Loss 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 line item (Note 21).

- Trade Payables:

Trade payables are initially recognised at fair value and are subsequently measured at amortized cost using the effective interest method.

Derivative Financial Instruments and hedge accounting

Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised either in net income or, in the case of a cash flow hedge, under line item "Other comprehensive income, net of income taxes". Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

- Fair value hedges:

The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognised firm commitment is designated as hedged item, the subsequent cumulative change in its fair value is recognised as a separate financial asset or liability with corresponding gain or loss recognised in net income. For hedged items carried at amortized cost, the adjustment is amortized until maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognised as separate financial assets or liabilities.

- Cash flow hedges:

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised under line item "Other comprehensive income, net of income taxes", and any ineffective portion is recognised immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Category of financial assets at fair value

The analysis of the financial instruments which at September 30, 2017 and December 31, 2016 were measured at fair value subsequent to their initial recognition is provided as follows. Depending on the extent the inputs used to measure fair values rely on observable market data, fair value measurements may be hierarchised according to the following categories of input:

- Category 1: the fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.
- Category 2: the 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: the 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 September 30, 2017			Total
	Category 1	Category 2	Category 3	
Non-current Financial Assets				
Derivative financial instruments (Note 22)	-	80,172	-	80,172
Current Financial Assets				
Derivative financial instruments (Note 22)	-	78,677	-	78,677
Non-current Liabilities				
Derivative financial instruments (Note 22)	-	(15,297)	-	(15,297)
Current Liabilities				
Derivative financial instruments (Note 22)	-	(82,913)	-	(82,913)
Total	-	60,639	-	60,639

Thousands of euros	Fair value at December 31, 2016			Total
	Category 1	Category 2	Category 3	
Non-current Financial Assets				
Derivative financial instruments (Note 22)	-	69,253	-	69,253
Current Financial Assets				
Derivative financial instruments (Note 22)	-	56,726	-	56,726
Non-current Liabilities				
Derivative financial instruments (Note 22)	-	(37,527)	-	(37,527)
Current Liabilities				
Derivative financial instruments (Note 22)	-	(62,449)	-	(62,449)
Total	-	26,003	-	26,003

Derivative financial instruments consist of forward exchange rate contracts, interest rate swaps and raw material swaps (electricity):

- Interest rate swaps:

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

- Forward exchange rate contracts:

The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

- Raw material swaps (electricity)

Raw material swaps are measured at fair value using the prices and interests from observable yield curves.

The fair value of raw material swap contracts is calculated by discounting the estimated cash flows using the future prices at the closing date.

The effects of discounting have not been significant for category 2 financial instruments.

There have been no transfers in between the fair value levels during the year ended September 30, 2017.

Impairment of financial assets

Except for the financial assets classified at fair value through profit or loss, the financial assets are analysed by SIEMENS GAMESA Group in order to test them periodically, and at least at the end of each reporting period, for a potential impairment. A financial asset is impaired if there is objective evidence that the estimated future cash flows of the asset have been negatively affected as a result of one or more events that occurred after the initial recognition of the financial asset.

SIEMENS GAMESA considers that a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

For other financial assets, SIEMENS GAMESA considers the following observations as objective indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- default or delay in interest or principal settlements; or
- probability of the borrower entering bankruptcy or financial reorganisation.

Derecognition of financial instruments

SIEMENS GAMESA derecognises financial assets 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.

In cases where risks and rewards associated with accounts receivable are contractually transferred to a factor and the factor also assumes the related insolvency risk, the Group derecognises these financial assets. The balance of unmatured receivables assigned to non-recourse factoring transactions as of September 30, 2017, amounted to EUR 288 million (EUR 0 as of December 31, 2016). The average amount of factored receivables during the year ended September 30, 2017 was EUR 229 million (EUR 9 million in 2016).

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or of a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

K. LEASES

SIEMENS GAMESA classifies leases as finance leases whenever all the risks and rewards incidental to ownership are substantially transferred to the lessee. All other leases are classified as operating leases.

Finance leases are recognised at the commencement date of the lease as assets and liabilities in the Consolidated Financial Statements at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each of those determined at the inception of the leases. The leased assets are depreciated in a similar manner as those assets owned by SIEMENS GAMESA.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

L. SEGMENT REPORTING

Reporting on operating segments is presented in accordance with the internal information that is provided to the chief operating decision maker. The Board of Directors has been identified as the chief operating decision maker, as it is responsible for assigning resources and evaluating the performance of the operating segments, as well as it is in charge of taking strategic decisions.

M. TRANSACTIONS IN FOREIGN CURRENCY

Group companies

The functional currency of a significant part of the companies of SIEMENS GAMESA is the euro.

For all of the SIEMENS GAMESA's 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 individual 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 that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are re-valued to the functional currency applying the spot exchange rate prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate at the date of the transaction.

Also, foreign currency fixed-income securities, receivables and payables are translated to the functional currency at the exchange rates prevailing at the Consolidated Balance Sheet date.

Exchange differences arising on a monetary item that is part of the net investment in a company's foreign operation is recognised in Profit and Loss in the separate Financial Statements for the reporting company, or in the Individual Financial Statements for the foreign operation, as appropriate. In the Consolidated Financial Statements that include the foreign operation and the reporting company, those exchange differences are initially recognised in other comprehensive income and are reclassified from equity to profit or loss when the foreign business is disposed or the investment is recovered fully or partially by other means.

The hedge instruments that SIEMENS GAMESA uses to reduce foreign currency risks 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 SIEMENS GAMESA as of September 30, 2017 and December 31, 2016 is as follows:

Currency	Equivalent value in thousands of euros			
	09.30.2017		12.31.2016	
	Assets	Liabilities	Assets	Liabilities
Indian Rupee	164,228	472,294	-	-
US Dollar	562,066	369,421	43,638	105,117
Chinese Yuan	184,679	136,135	27,511	18,661
Mexican Peso	32,214	49,271	-	-
Danish Krone	124,186	227,137	20,906	448,697
Canadian Dollar	44,915	22,536	61,294	12,532
Sterling Pound	122,299	64,064	55,761	34,068
Moroccan Dirham	12,916	20,045	13,108	4,014
Swedish Krona	13,899	9,090	13,258	1,211
Australian Dollar	26,947	8,325	37,454	7,173
Turkish Lira	7,047	527	15,155	9,572
Brazilian Real	146,522	45,653	2,017	974
Norwegian Krone	21,782	3,371	7,593	143
South African Rand	20,438	4,549	752	6,805
Croatian Kuna	35,701	7,271	974	228
Egyptian Pound	12,854	4,684	40	3
Other currencies	45,401	45,741	6,501	4,926
Total	1,578,094	1,490,114	305,962	654,124

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

Nature of the Balances	Equivalent value in thousands of euros			
	09.30.2017		12.31.2016	
	Assets	Liabilities	Assets	Liabilities
Trade receivables (Note 16)	668,476	-	273,187	-
Cash and other equivalent liquid assets (Note 17)	909,618	-	32,775	-
Payables	-	1,247,776	-	652,297
Bank borrowings (Note 21)	-	242,338	-	1,827
Total	1,578,094	1,490,114	305,962	654,124

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. 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.

Long term loans and credit facilities assigned to wind farms, which are legally structured in individual public or private limited liability companies, are classified as current or non-current depending on the foreseeable and expected sale date of these wind farms, because the sale of the shares in these individual companies leads to an exclusion of all assets and liabilities of the wind farm from the scope of consolidation.

Accordingly, regardless of the repayment schedule contractually established for these borrowings, the total amount of borrowings assigned to the wind farms that will foreseeably be sold within twelve months from the reporting date of the Consolidated Financial Statements is classified under current liabilities.

O. INCOME TAX

Since 2002 the Company 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 Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal), Siemens Gamesa Renewable Energy Innovation & Technology, S.L. Unipersonal (former 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. Three more companies were incorporated to this Group in 2016, Siemens Gamesa Renewable Energy Latam, S.L. (former Gamesa Latam, S.L.), Siemens Gamesa Renewable Energy Apac, S.L.U. (former Gamesa Apac, S.L.U.) and Sistemas Energéticos El Valle, S.L.

Since 2005, Gamesa Technology Corporation, Inc. and its subsidiaries are taxed by the Federal Income Tax under the Consolidated Tax consolidation of the United States, being Gamesa Technology Corporation, Inc. the parent company of the Fiscal Group.

Since 2005, Siemens Gamesa Renewable Energy A/S (former Siemens Wind Power A/S) is part of the mandatory Danish national joint taxation Group, with Siemens A/S nominated as the administration company.

Other foreign companies and the rest of the Spanish companies that are not taxed under a Tax Consolidation Regime are taxed in accordance with the legislation in force in their respective jurisdictions.

Under the liability method, deferred tax assets and liabilities are recognised for future tax consequences attributable to differences between the Financial Consolidated Statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and available tax planning opportunities. The recoverability of deferred tax assets is evaluated, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, it is assessed whether it is probable that SIEMENS GAMESA will realize the benefits of these deductible differences (Notes 26 and 27).

SIEMENS GAMESA recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, except to extent where the timing of the reversal of the temporary difference is controlled by SIEMENS GAMESA and it is probable that the temporary difference will not reverse in the foreseeable future.

P. PARENT COMPANY TREASURY SHARES

The treasury shares held by SIEMENS GAMESA as the Parent company of SIEMENS GAMESA Group as of September 30, 2017 are recognised at acquisition cost with a charge to "Equity - Treasury Shares at cost" in the Consolidated Balance Sheet (Note 19.E).

The gains and losses on the purchase, sale, issue or cancellation of treasury share is recognised directly in equity.

Q. PROVISIONS

A distinction is drawn between:

- **Provision:** a present obligation (legal or constructive) as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.
- **Contingent liability:** a possible obligation that arises 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 entity; or possible obligations, whose occurrence is unlikely or whose amount cannot be reliably estimated.

The Consolidated Financial Statements include all 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 disclosed, but not recognised in the Consolidated Financial Statements, except for those which arise in business combinations (Note 2.E).

Provisions are recognised based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are fully or partially reversed when the relevant obligations cease to exist or are reduced.

Provisions are recognised when the obligation arises, with a charge to the relevant heading in the Consolidated Statement of Profit and Loss based on the nature of the obligation. Provisions are recognised at the present value of the expected expenditure, when the effect of the time value of money is material.

Provisions for warranty costs are recognised at the time when the significant risks and rewards of a product are transferred to the customer. The provisions are recognised on an individual basis at the best estimate of the expenditure required by SIEMENS GAMESA to settle the underlying obligation (Note 23). In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions.

Expected losses from onerous contracts are recognised when the current estimate of total contract costs exceeds contract revenue (Note 23).

Non-current provisions are discounted to the balance sheet date to reflect the present value of the provision.

Legal proceedings and/or claims in progress

As of September 30, 2017 certain litigation and claims were in progress against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisors 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 would be settled (Note 23).

As of September 30, 2017 and December 31, 2016 there were no significant contingent liabilities or provisions that had not been recognised or disclosed in these Consolidated Financial Statements.

R. TERMINATION BENEFITS

Termination benefits are recognised in the period they are incurred, and when the amount can be reasonably estimated. Termination benefits arise as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date, or from an entity's decision to terminate the employment contract. Termination benefits in accordance with IAS 19, Employee Benefits, are recognised as a liability when the entity can no longer withdraw the offer of those benefits.

S. POST-EMPLOYMENT BENEFITS

SIEMENS GAMESA measures the entitlements to post-employment benefits by applying the projected unit credit method. This approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the year will be based on the discount rate for the respective year multiplied by the net liability at the preceding year's period-end date.

Service cost and past service cost for post-employment benefits and administration costs unrelated to the management of plan assets are allocated among functional costs. Past service cost and settlement gains (losses) are recognised immediately in Profit or Loss. For unfunded plans, the amount of line item "Post-employment benefits" equals the DBO. For funded plans, SIEMENS GAMESA offsets the fair value of the plan assets with the DBO. SIEMENS GAMESA recognises the net amount, after adjustments for effects relating to any asset ceiling.

Remeasurements comprise actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefit liability (asset). They are recognised in "Other comprehensive income", net of income taxes.

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rate of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments.

T. SHARE-BASED PAYMENT

Equity-settled share-based payments are measured at the fair value of the equity instruments granted. This fair value is expensed on a straight-line basis over the vesting period, based on SIEMENS GAMESA's estimate of the shares that will ultimately be delivered and credited to equity (Note 19.E).

Fair value is measured using the market prices available on the measurement date, taking into account the terms and conditions upon which those equity instruments were granted.

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), SIEMENS GAMESA accounts for the cancellation or settlement as an acceleration of vesting and therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

For cash-settled share-based payments, a liability equal to their current fair value determined at the end of each reporting period is recognised.

U. CONSOLIDATED STATEMENT OF CASH FLOW

SIEMENS GAMESA Group presents the Consolidated Statement of Cash Flow using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

The following terms are used in the Consolidated Statement of Cash Flows with the meanings as specified below:

- Cash flows: Inflows and outflows of cash and cash equivalents.
- Cash equivalents: Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- Operating activities: The main revenue-producing activities of SIEMENS GAMESA and other activities that are not related to 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 result in changes in the size and composition of the contributed equity and borrowings.

V. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the reporting period by the weighted average number of ordinary shares outstanding during the reporting period.

In the situation of the reverse acquisition as a result of the SIEMENS GAMESA Merger (Note 1.B and Note 1.D), the equity structure in the Consolidated Financial Statements reflects the equity structure of the legal acquirer (the accounting acquiree), including the equity interests issued by the legal acquirer to effect the business combination.

In calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) for the year ended September 30, 2017:

- a) The number of ordinary shares outstanding from the beginning of year 2017 until the Merger Effective Date has been computed on the basis of the weighted average number of ordinary shares of Siemens Wind Power Business (accounting acquirer) outstanding during that period, calculated as the number of ordinary shares outstanding at the Merger Effective Date multiplied by the Merger exchange ratio; and
- b) The number of ordinary shares outstanding from the Merger Effective Date until September 30, 2017 is the actual number of ordinary shares of SIEMENS GAMESA outstanding during that period.

Diluted earnings per share are calculated by dividing the net income 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. For such purposes, dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the reporting period or, if later, the date of the issue of the potential ordinary shares.

Basic earnings per share in the year ended September 30, 2017 and December 31, 2016 coincided with diluted earnings per share, since there were no potential shares outstanding in those periods (Note 34).

W. DIVIDENDS

Any interim dividends approved by the Board of Directors are deducted from "Equity" in the Consolidated Balance Sheet. However, the final dividends proposed by the Board of Directors of SIEMENS GAMESA to the shareholders at the General Meeting are not deducted from equity until they have been approved by the latter.

During the year ended September 30, 2017 (as well as during the year 2016) no interim dividend has been distributed.

X. INTEREST COST

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Financial income obtained on the temporary investment of specific loans until their usage on qualifying assets is deducted from the interest expense that may be capitalized.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

5. Financial Risk Management

By the nature of its activities, SIEMENS GAMESA Group is exposed to a variety of financial risks: (i) market risks, in particular foreign exchange and interest rate risk, (ii) liquidity risk, and (iii) credit risk. The aim of the Financial Risk Management is to identify, measure, monitor and mitigate those risks and their potential adverse effects on the Group's operational and financial performance. The general conditions for compliance with the Group's Financial Risk Management process are set out through policies approved by the Executive Management. The identification, evaluation and hedging of financial risks lies in the responsibility of each business unit.

A. MARKET RISK

a. Foreign Exchange Risk

SIEMENS GAMESA conducts transactions with international counterparties in the ordinary course of its business, leading to revenue and income generation in currencies different from euro, and to future cash flow generated in SIEMENS GAMESA entities that are denominated in a currency other than their functional currencies, and is therefore exposed to risks from changes in foreign currency exchange rates.

Foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the local markets where the business is being conducted, as well as by locating the production activities and other contributions along the value chain in those local markets. Furthermore, to the extent possible, exchange rates are fixed by currency clauses integrated into third party contracts to avoid the consequences from unfavourable foreign currency developments.

In the cases where the measures described above are not possible, SIEMENS GAMESA uses financial instruments to hedge the remaining risk exposure, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations (Note 22). For this purpose, the Group analyzes the foreign currency exposure of its confirmed order book as well as of the planned and highly probable foreign currency transactions. In addition, risk exposure limits are established and updated each year aimed at managing the remaining risk levels, and could be updated under a time period of less than one year in case that the Group needs to adapt quickly to changing market trends.

Due to the international set-up of the Group, cash flows are generated in numerous different currencies. The majority of foreign currency transactions are denominated in US Dollar, Canadian Dollar, Danish Krone, Chinese Yuan, Indian Rupee, Brazilian Real and Mexican Peso. According to the general Foreign Exchange risk management framework of SIEMENS GAMESA, transaction foreign currency risk has to be hedged within a band of at least 75% up to a maximum of 100%. The financial instruments utilized to hedge against this risk are primarily foreign currency exchange forward contracts and foreign currency swaps (Note 22).

The following table shows the translation impact due to the presence of the Group in different countries, on Profit and Loss and Equity as a result of changes in exchange rates as of September 30, 2017 and December 31, 2016 for the Group's most significant currencies, by simulating a 5% devaluation and appreciation of the euro against the respective currency:

Thousands of euros	Exchange rate	Debit / (Credit) (*)			
		Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
Currency	at 09.30.2017				
US Dollar	1.1806	(200)	(25,693)	200	25,693
Canadian Dollar	1.4687	(532)	(2,198)	532	2,198
Danish Krone	7.4423	(4,595)	(17,078)	4,595	17,078
Chinese Yuan	7.8534	(862)	(9,345)	862	9,345
Indian Rupee	77.0690	2,350	(17,943)	(2,350)	17,943
Brazilian Real	3.7635	(1,408)	(6,489)	1,408	6,489
Mexican Peso	21.4614	39	(2,817)	(39)	2,817

(*) Income and equity increase in negative and expenses and equity decrease in positive.

Thousands of euros	Exchange rate	Debit / (Credit) (*)			
		Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
Currency	at 12.31.2016				
US Dollar	1.0541	(6,491)	6,603	6,491	(6,603)
Canadian Dollar	1.4188	(585)	(1,135)	585	1,135
Danish Krone	7.4344	(5,194)	(5,128)	5,194	5,128
Chinese Yuan	7.3202	(295)	(1,938)	295	1,938
Indian Rupee	71.5935	(9)	43	9	(43)
Brazilian Real	3.4305	(100)	200	100	(200)
Mexican Peso	21.7719	3	(1)	(3)	1

(*) Income and equity increase in negative and expenses and equity decrease in positive.

b. Market Price Risk

SIEMENS GAMESA is exposed to risks relating to fluctuations in the prices of the commodities used in the supply chain. These risks are mainly managed in the procurement process. Only in few cases, SIEMENS GAMESA uses derivatives instrument to mitigate these market price risks.

c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises whenever interest terms of financial assets and liabilities are different. SIEMENS GAMESA uses external sources to finance parts of its operations. Loans at variable rates expose the Group to interest rate risks, while loans at fixed rates expose the Group to fair value interest rate risk. The variable rates are mainly linked to the LIBOR or the EURIBOR. SIEMENS GAMESA continuously analyses the split of external financing at variable and fixed rates to optimize the interest rate exposure.

The Group uses derivative financial instruments to mitigate the interest rate risk. These interest rate hedges are assigned specifically to debt instruments and are matching their maturity as well as the nominal amount (Note 22).

At September 30, 2017, respectively at December 31, 2016, the split of the borrowings into fixed and variable rate is as follows (Note 21):

Thousands of euros	09.30.2017		12.31.2016	
	Excluding hedges	Including hedges	Excluding hedges	Including hedges
Fixed Rate	25,000	242,257	-	-
Variable Rate	1,257,134	1,039,877	1,827	1,827

Based on instruments bearing interests at fixed and variable rates and financial instruments hedging interest rate risk which SIEMENS GAMESA holds, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects:

Thousands of euros	Debit / (Credit) (*)			
	Variation in interest -0.25%		Variation in interest +0.25%	
	Impact on profits before taxes	Impact on equity	Impact on profits before taxes	Impact on equity
09.30.2017	(2,627)	5	2,627	(5)
12.31.2016	(4)	-	4	-

(*) Income and equity increase in negative and expenses and equity decrease in positive.

B. LIQUIDITY RISK

Liquidity risk is the risk that SIEMENS GAMESA is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. SIEMENS GAMESA mitigates the liquidity risk by the implementation of an effective working capital and cash management as well as with arranged credit facilities with highly rated financial institutions. As of September 30, 2017, SIEMENS GAMESA has unused credit facilities of EUR 1,377 million (52% of total credit facilities) (Note 21).

Furthermore, the Group attempts to maintain a financial debt structure that is in line with the maturity of the assets to be financed. Therefore non-current assets are financed with long-term debt or equity, whereas working capital is largely financed with current borrowings.

C. CREDIT RISK

The credit risk is the risk that exist when a counterparty or customer does not meet its contractual payment obligations, and this leads to a loss for SIEMENS GAMESA.

SIEMENS GAMESA deals in principle with customers that have an appropriate credit history and rating. The customers mainly consist of companies within the energy sector where the steady cash-inflow from the sale of electricity leads to an above average credit rating. Nevertheless, in cases of customers with a below average rating or credit history, SIEMENS GAMESA uses a variety of mitigation measures, such as irrevocable letters of credit or export insurances to cover the increased credit risk. Furthermore, the customer contract is individualized according to the credit risk exposure to safeguard SIEMENS GAMESA from an insolvency of the counterparty.

The analysis of the overdue trade receivables, which cover the majority of the financial assets, which have not been impaired, and without considering the average credit rating as of September 30, 2017 and December 31, 2016, is as follows:

Thousands of euros	09.30.2017	12.31.2016
Less than 90 days	223,644	68,978
90 - 180 days	66,481	15,051
More than 180 days	123,215	26,235
Total trade and other receivables – overdue	413,340	110,264

The credit risk exposure of cash and other cash equivalents can be anticipated with the credit rating of the corresponding financial institutions. The overview below discloses the cash and cash equivalents as of September 30, 2017 and December 31, 2016, by financial institutions with the following ratings:

Thousands of euros	09.30.2017	12.31.2016
AA-	25,305	5
A+	222,314	93,222
A	442,757	11,627
A-	128,333	589
BBB+	302,489	37,033
BBB	387,986	737
BBB-	43,353	4,972
BB+ or lower	106,931	38
Total	1,659,468	148,223

6. Key accounting judgments and estimates

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses. Actual results may differ from management's estimates. Estimates and assumptions are reviewed on an ongoing basis, and changes in estimates and assumptions are recognised in the period in which the changes occur and in future periods impacted by the changes. The estimates with a significant effect on the accompanying Consolidated Financial Statements are as follows:

- Construction projects accounted for using the percentage-of-completion method recognise revenue as performance on a contract progress. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues in the respective reporting period.
- As indicated in Notes 4.F and 4.G, SIEMENS GAMESA Group determines the estimated useful lives and the relevant amortization/depreciation charges for its intangible assets and property, plant and equipment. SIEMENS GAMESA Group will increase the amortization/depreciation 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.
- SIEMENS GAMESA estimates the warranty provisions required for possible repair costs that the Group will incur within the warranty period. Warranty provisions related to wind turbines are generally calculated using estimates regarding the number of component failures (failure rate estimate) and their rectifications costs. (Note 4.Q).
- SIEMENS GAMESA Group has made certain assumptions in order to calculate the liability arising from obligations to employees (Notes 4.R and 4.S). The fair value of those financial instruments granted as share-based payments (Note 19.E) 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 development of the businesses and the most appropriate discount rate in each case. SIEMENS 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.

- Whenever property, plant and equipment and other intangible assets are to be tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.
- The allowance for doubtful accounts involves significant management judgment and review of receivables based on customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio (Note 16).
- 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 recognises 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 26).
- SIEMENS GAMESA Group recognises deferred tax assets only to the extent that their future realisation or utilisation is sufficiently assured. As future developments are uncertain and partly beyond SIEMENS GAMESA Group's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will be recovered. Estimates are reviewed in the period in which there is sufficient evidence to review the assumption (Note 27).
- The exit of the UK from the European Union triggers an extended period of uncertainty, which adversely impacts future investments in the UK energy market and increase the uncertainty also into the business development of SIEMENS GAMESA in the UK. SIEMENS GAMESA Group currently estimates that it will be able to cover these uncertainties through several risk mitigation measures and sees therefore no immediate risk for the Consolidated Financial Statements, e.g. on the recoverability of assets resulting from past investments in the UK.
- In a business combination the acquirer shall measure the identifiable assets acquired and the liabilities assumed (including contingent liabilities) at their acquisition-date fair values. The estimates of the acquisition-date fair values are based on judgement and are determined by using certain measurement techniques, which are also supported by independent third party appraisers. Furthermore, the measurement period, which is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination, will end as of April 3, 2018 for the Merger transaction between GAMESA and Siemens Wind HoldCo, S.L. The measurement period provides the acquirer with a reasonable time to obtain the information necessary to identify and measure, as of the acquisition date in accordance with the requirements of IFRS 3, amongst others the identifiable assets acquired, liabilities assumed, the consideration transferred or the resulting goodwill.

Although these estimates on the events analysed were made on the basis of the best information available at September 30, 2017 and December 31, 2016, 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 Statement of Profit and Loss.

7. Earnings allocation

At the date of preparation of these Consolidated Financial Statements, the Board of Directors of SIEMENS GAMESA, estimates that it will propose to the General Shareholders' Meeting for its approval, the following allocation of results for the year 2017 as shown below, determined according to Spanish accounting regulations applicable to the Statutory Financial Statements of the company:

	Thousands of euros
Basis of distribution	
Loss for the year	(1,782,844)
Total	(1,782,844)
Distribution	
Profit and Loss from previous year	(1,782,844)
Total	(1,782,844)

8. Segment reporting

The reportable segments of the SIEMENS 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 in 2017, and also for comparative purposes in 2016:

- Wind Turbines (*)
- Operation and maintenance

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

The segments taken into consideration are the business units, since SIEMENS GAMESA Group is organisationally structured in this manner, and the internal information generated for the Board of Directors is also presented in this way.

A. INFORMATION BY BUSINESS UNITS

Revenue

The breakdown, by segment, of consolidated revenue for the years ended September 30, 2017 and December 31, 2016 is as follows:

Segments	Thousands of euros	
	2017	2016
Wind Turbines	5,763,818	5,100,222
Operation and Maintenance	774,380	1,063,674
Net revenue from continued operations	6,538,198	6,163,896

Net Income

The breakdown, by segment, of the contribution to the net income after tax for the years ended September 30, 2017 and December 31, 2016 is as follows:

Segments	Thousands of euros	
	2017	2016
Continuing Operations		
Wind Turbines	(112,548)	298,789
Operation and Maintenance	112,545	209,366
Total Results Segment Operations	(3)	508,155
Unassigned results (*)	(25,421)	(4,279)
Corporate income tax	10,217	(60,973)
Net income attributable to the Parent company	(15,207)	442,903

(*) This item includes financial results, results attributable to non-controlling interests and income (loss) from investments accounted for using the equity method.

There are structure costs supporting both business units, whose amount is subject to allocation among both segments. The allocation is performed according to the contribution that each business unit has to the amount of consolidated turnover.

Financial expenses and income, and corporation tax expense have not been assigned to the operating segments because those concepts are jointly managed by the Group.

B. GEOGRAPHICAL INFORMATION

In addition, the SIEMENS GAMESA Group currently operates in several geographical markets. The main areas are EMEA (including Spain), AMERICA and APAC. The main countries per each one is as follows:

- EMEA: Denmark, Germany and Great Britain
- AMERICA: USA, Brazil and Mexico
- APAC: India, China and Australia

The most significant disclosures in this regard, grouped by geographical area are as follows:

Revenue

The breakdown, by geographical segment, of revenue for the years ended September 30, 2017 and December 31, 2016 is as follows:

Geographical area	2017		2016	
	Thousands of euros	%	Thousands of euros	%
Spain	165,179	2.5%	4,084	0.1%
EMEA	4,005,553	61.3%	4,385,270	71.1%
AMERICA	1,719,221	26.3%	1,435,524	23.3%
APAC	648,245	9.9%	339,018	5.5%
Total	6,538,198	100%	6,163,896	100%

Total assets

The breakdown, by geographical segment, of the total assets at September 30, 2017 and December 31, 2016 is as follows:

Geographical area	09.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
Spain	3,400,373	28.4%	2,231	0,0%
EMEA	4,225,741	35.3%	3,504,780	73,2%
AMERICA	2,195,763	18.3%	1,099,760	23,0%
APAC	2,149,720	18.0%	182,460	3,8%
Total	11,971,597	100%	4,789,231	100%

The disclosure above does not include any amount corresponding to the Goodwill resulting from the Merger.

Investment in assets

The breakdown, by geographical segment, of the investments in property, plant and equipment and other intangible assets for the years ended September 30, 2017 and December 31, 2016 is as follows:

Geographical area	2017		2016	
	Thousands of euros	%	Thousands of euros	%
Spain	47,022	11.4%	4	0.0%
EMEA	290,697	70.6%	319,722	81.5%
AMERICA	26,909	6.5%	44,121	11.2%
APAC	47,237	11.5%	28,696	7.3%
Total	411,865	100%	392,543	100%

9. Goodwill

The carrying amount of Goodwill is as follows:

Thousands of euros	09.30.2017	12.31.2016
Cost		
Balance at beginning of the year	198,026	201,013
Translation differences and other	56,561	(2,987)
Acquisition and purchase accounting adjustments (Notes 1 and 3)	4,437,982	-
Balance at year – end	4,692,569	198,026
Accumulated impairment losses and other changes		
Balance at beginning of the year	(33,178)	(36,866)
Translation differences and other	821	3,688
Balance at year – end	(32,357)	(33,178)
Carrying amount		
Balance at beginning of the year	164,848	164,147
Balance at year – end	4,660,212	164,848

The goodwill impairment test is performed at the level of the segments, "Wind Turbines" and "Operation and Maintenance", since they are both the smallest identifiable groups of assets that the Group's directors monitor, and that are consistent with the segments identified in Note 8. SIEMENS GAMESA Group performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2017 for SIEMENS GAMESA's segments were estimated to be higher than their carrying amounts. Key assumptions on which the Group based its determinations of the fair value less costs to sell for segments include terminal value growth rates of 1.7% in year 2017, and 1.7% in 2016 for both segments, and after tax discount rates of 8.5% in year 2017 for both segments, while in year 2016 a 8.5% after tax discount rate was used for Wind Turbines (former "Wind Power and Renewables" as a SIEMENS division) and 8.0% for the Operation and Maintenance segment (former "Power Generation Services" in Siemens AG).

For the purpose of estimating the fair value less costs to sell of the segments, cash flows were projected for the next five years based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions.

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates are based on the weighted average cost of capital (WACC) for the Groups of business units. The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each Segment by taking into account specific peer Group information on beta factors, leverage and cost of debt. The parameters for calculating the discount rates are based on external sources of information. The peer Group is subject to an annual review and adjusted, if necessary. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

The following table presents key assumptions used to determine fair value less costs to sell for impairment test purposes for the Segments goodwill is allocated:

Thousands of euros	Goodwill allocation	Terminal value growth rate	09.30.2017 After-Tax discount rate
"Wind Turbines" segment	1,843,822	1.70%	8.50%
"Operation and Maintenance" segment	2,816,390	1.70%	8.50%
Total	4,660,212		

Thousands of euros	Goodwill allocation	Terminal value growth rate	12.31.2016 After-Tax discount rate
"Wind Turbines" segment	134,495	1.70%	8.50%
"Operation and Maintenance" segment	30,353	1.70%	8.00%
Total	164,848		

Additionally for Wind turbine segment a sales volume marginally above 8 Billion euros has been considered for 2018 with a 5.3% profit margin pre - ppa (considering the restructuring plan), and for subsequent years a gradual increase has been considered due to the synergies and the capacity adjustment measures adopted, Terminal value obtained through the methodology generally accepted for business valuation (cash flows discounts), represents 87.80% of the total recoverable value.

On the other hand for Service segment a sales volume marginally above 1 Billion euros has been considered for 2018 with a 15,6% profit margin pre - ppa (considering the restructuring plan), and for subsequent years a gradual increase has been considered due to the synergies and the capacity adjustment measures adopted, Terminal value obtained through the methodology generally accepted for business valuation (cash flows discounts), represents 84.59% of the total recoverable value.

The sensitivity analysis for both Segments was based on a reduction in after-tax future cash flows by 10% or an increase in after-tax discount rates by one percentage point or a reduction in the terminal value growth rate by one percentage point or a 10% in Terminal Value Margin. SIEMENS GAMESA concluded that no impairment loss would need to be recognised on goodwill in any of the both Segments. The goodwill amount as well as allocation is still preliminary, as the one year subsequent to the Merger as of April 3, 2017, has not past as of September 30, 2017.

10. Other intangible assets

The changes in "Other Intangible Assets" in the Consolidated Balance Sheet in 2017 and 2016 were as follows:

Thousands of euros Year 2017	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
Cost							
Internally generated technology	47,260	-	73,647	(9)	(103)	-	120,795
Acquired technology including patents, licenses and similar rights	98,971	1,146,945	25	(3)	(252)	-	1,245,686
Customer relationships and order backlog	2,139	1,386,369	-	-	(93,909)	-	1,294,599
Advance Payments for Intangible Assets	-	-	718	-	-	-	718
	148,370	2,533,314	74,390	(12)	(94,264)	-	2,661,798
Amortization							
Internally generated technology	(25,239)	-	(10,704)	5	48	-	(35,890)
Acquired technology including patents, licenses and similar rights	(82,151)	-	(91,135)	3	66	-	(173,217)
Customer relationships and order backlog	(2,139)	-	(147,697)	-	2	-	(149,834)
	(109,529)	-	(249,536)	8	116	-	(358,941)
Total other intangible assets at 09.30.2017	38,841	2,533,314	(175,146)	(4)	(94,148)	-	2,302,857

Thousands of euros Year 2016	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
Cost							
Internally generated technology	41,715	-	5,812	(422)	155	-	47,260
Acquired technology including patents, licenses and similar rights	98,620	-	31	(2)	322	-	98,971
Customer relationships and order backlog	2,131	-	-	-	8	-	2,139
	142,466	-	5,843	(424)	485	-	148,370
Amortization							
Internally generated technology	(13,980)	-	(11,597)	400	(61)	-	(25,239)
Acquired technology including patents, licenses and similar rights	(75,564)	-	(6,301)	2	(288)	-	(82,151)
Customer relationships and order backlog	(2,131)	-	-	-	(8)	-	(2,139)
	(91,675)	-	(17,898)	402	(357)	-	(109,529)
Total other intangible assets at 12.31.2016	50,791	-	(12,056)	(22)	128	-	38,841

During 2017, the main increase in the capitalized development costs is due to the development of new wind turbine models, software and the optimization of the components' performance for an amount of EUR 73,647 thousands (EUR 5,812 thousands in 2016) mainly in Denmark and Spain in the amounts of EUR 46,570 thousands and EUR 19,571 thousands, approximately and respectively.

Acquired technology includes technologies identified in line with the SIEMENS GAMESA Merger valued on platform basis in an amount of EUR 1,060 million as of September 30, 2017. The fair value at the Merger effective date amounted to EUR 1,147 million. The remaining useful life for these intangible assets, depending on the different platform types, is between 0.75 and 10.75 years (in average 6.35 years).

The fair value of customer relationships identified in line with the SIEMENS GAMESA Merger amounted at the Merger effective date to EUR 958 million. The remaining useful life depends on the business segment for which the customer relationship has been identified: 5.5 years for the Wind Turbine segment and 19.75 years for the Operation and Maintenance segment.

Furthermore, an order backlog in an amount of EUR 429 million has been identified in line with the SIEMENS GAMESA Merger. The remaining useful life depends on the individual contracts and is between 0.5 and 18 months (in average 13 months) for the Wind Turbine segment and is between 0.5 and 20 years (in average 8 years) for the Operation and Maintenance segment.

The carrying amount of customer relationships and order backlog as of September 30, 2017 is EUR 1,145 million.

Research and development expenses not capitalized during the year ended September 30, 2017 amounted to EUR 141 million (EUR 198 million in the year 2016).

Fully amortized intangible assets in use at September 30, 2017 and December 31, 2016 amounted to EUR 7,276 thousands and EUR 7,275 thousands, respectively.

As of September 30, 2017 SIEMENS GAMESA had no significant contractual commitments for the acquisition of intangible assets.

11. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the Consolidated Balance Sheet in 2017 and 2016 were as follows:

Thousands of euros Year 2017	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
Cost							
Land and buildings	537,607	175,781	21,280	(6,778)	(27,270)	93,778	794,398
Technical facilities and machinery	250,360	317,356	86,575	(8,279)	(38,060)	9,569	617,521
Other property, plant and equipment	658,967	112,137	95,791	(43,947)	(18,796)	42,305	846,457
Property, plant and equipment under construction	182,077	23,034	133,829	(236)	(7,978)	(145,652)	185,074
	1,629,011	628,308	337,475	(59,240)	(92,104)	-	2,443,450
Depreciation							
Buildings	(151,293)	-	(29,431)	4,831	4,021	-	(171,872)
Technical facilities and machinery	(138,568)	-	(55,712)	5,948	15,130	571	(172,631)
Other property, plant and equipment	(468,036)	-	(103,625)	36,890	9,633	(571)	(525,709)
	(757,897)	-	(188,768)	47,669	28,784	-	(870,212)
Impairment losses							
Land and buildings	(169)	-	(9,746)	-	-	-	(9,915)
Technical facilities and machinery	(1,697)	-	(19,274)	-	-	-	(20,971)
Other property, plant and equipment	(308)	-	(4,687)	-	-	-	(4,995)
	(2,174)	-	(33,707)	-	-	-	(35,881)
Total tangible assets at 09.30.2017	868,940	628,308	115,000	(11,571)	(63,320)	-	1,537,357

Thousands of euros Year 2016	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
Cost							
Land and buildings	421,569	-	1,202	(901)	1,625	114,112	537,607
Technical facilities and machinery	222,394	-	25,564	(11,736)	2,678	11,460	250,360
Other property, plant and equipment	544,785	-	109,714	(29,165)	2,527	31,106	658,967
Property, plant and equipment under construction	96,308	-	250,220	(200)	(7,573)	(156,678)	182,077
	1,285,056	-	386,700	(42,002)	(743)	-	1,629,011
Depreciation							
Buildings	(129,995)	-	(21,199)	703	(802)	-	(151,293)
Technical facilities and machinery	(122,056)	-	(24,601)	7,548	689	(148)	(138,568)
Other property, plant and equipment	(395,130)	-	(97,733)	27,097	(2,418)	148	(468,036)
Property, plant and equipment under construction	-	-	-	-	-	-	-
	(647,181)	-	(143,533)	35,348	(2,531)	-	(757,897)
Impairment losses							
Land and buildings	-	-	(169)	-	-	-	(169)
Technical facilities and machinery	-	-	(1,697)	-	-	-	(1,697)
Other property, plant and equipment	-	-	(308)	-	-	-	(308)
Property, plant and equipment under construction	-	-	-	-	-	-	-
	-	-	(2,174)	-	-	-	(2,174)
Total tangible assets at 12.31.2016	637,875	-	240,993	(6,654)	(3,274)	-	868,940

A. INVESTMENTS FOR THE FINANCIAL YEAR

The main additions in the year ended September 30, 2017 are related mainly to the investments in new manufacturing plants in Germany (Cuxhaven) and Morocco (Tangier) besides of normal maintenance capital expenditure in India, Denmark and US. The additions in the year 2016 the related mainly to new production plants in Great Britain (Hull) and Germany (Cuxhaven).

The main impairment losses of the year ended September 30, 2017 are related to the closure of Engesvang (Denmark), a production line in Aalborg (Denmark) and the blade manufacturing plant in Tillsonburg (Canada).

B. LEASING CONTRACTS

At September 30, 2017 and December 31, 2016 the SIEMENS GAMESA has no significant financial leases (Note 21).

C. TOTALLY DEPRECIATED ASSETS

The amounts of operating tangible assets fully depreciated at September 30, 2017 and December 31, 2016 amounted EUR 448,889 thousands and EUR 348,367 thousands, respectively. At September 30, 2017 and December 31, 2016 most of these assets correspond to tools and test equipment.

D. COMMITMENTS FOR THE ACQUISITION OF ASSETS

At September 30, 2017 the SIEMENS GAMESA Group companies had property, plant and equipment purchase commitments amounting to EUR 76.5 million approximately (EUR 125 million at December 31, 2016), are related mainly to production facilities and new developments of wind facilities and its components.

E. INSURANCE COVERAGE

The SIEMENS GAMESA Group takes out insurance policies to adequately insure its property, plant and equipment. Also, the SIEMENS GAMESA Group has taken out insurance policies to cover the wind turbines generators while they are being assembled.

12. Investments carried under the equity method

The breakdown of the investments in associates of the SIEMENS GAMESA Group at September 30, 2017 is as follows (at December 31, 2016 there were no investments in associates):

Company	Shareholding %	Thousands of euros	
		09.30.2017	12.31.2016
Windar Renovables, S.L.	32%	64,900	-
Nuevas Estrategias de Mantenimiento, S.L.	50%	4,638	-
Others	-	4,071	-
Total		73,609	-

The changes occurred in 2017 under this heading in the Consolidated Balance Sheet were as follows:

	Thousands of euros
Balance at December 31, 2016	-
First time consolidation of GAMESA on April 3, 2017	74,340
Profit for the year	410
Others	(1,141)
Balance at September 30, 2017	73,609

The breakdown of consolidated assets, liabilities, revenues and expenses of companies recognised using the equity method at September 30, 2017 is as follows:

A. FINANCIAL INFORMATION RELATED TO JOINT VENTURES

Financial information summarized at September 30, 2017 (at 100% and before intercompany eliminations) related to the most significant joint ventures registered by equity method is as follows:

Nuevas Estrategias de Mantenimiento, S.L.	Thousands of euros
	09.30.2017
Total non-current assets	894
Total current assets	4,973
Total Assets	5,867
Total equity	4,724
Total non-current liabilities	608
Total current liabilities	535
Total Liabilities and Equity	5,867

Nuevas Estrategias de Mantenimiento, S.L.	Thousands of euros
	09.30.2017
Profit and Loss information	
Income from ordinary activities	2,756
Depreciation and amortization	-
Interest income	-
Interest expenses	-
Income tax expense/(income)	-
Net profit from continued operations	64
Balance sheet information	
Cash and cash equivalents	2,298
Current financial liabilities	-
Non-current financial liabilities	608

Between April 3, 2017 and September 30, 2017 no dividends were received from this company.

B. INFORMATION RELATED TO ASSOCIATED COMPANIES

Financial information summarized at September 30, 2017 (at 100% and before the intercompany eliminations) related to the most significant associated companies registered by the equity method is as follows:

Windar Renovables, S.L. and subsidiaries	Thousands of euros
	09.30.2017
Total non-current assets	77,321
Total current assets	158,727
Total Assets	236,048
Total equity	90,631
Total non-current liabilities	22,934
Total current liabilities	122,483
Total Equity and Liabilities	236,048

Windar Renovables, S.L. and subsidiaries	Thousands of euros
	09.30.2017
Profit and Loss information	
Income from ordinary activities	93,855
Net profit from continued operations	2,307

Between April 3, 2017 and September 30, 2017, no dividends have been received from this company.

The book value of the net investment in Windar Renovables, S.L. at September 30, 2017 amounts EUR 65 millions (EUR 0 at December 31, 2016), and it includes the capital gain which emerged at the moment of the acquisition of the investment in the associate (EUR 35 million approximately, representing the difference between the total consideration given and the share of the entity's book value at the time of the acquisition as of April 3, 2017).

13. Financial instruments by category

A. COMPOSITION AND BREAKDOWN OF FINANCIAL ASSETS

The breakdown of the Group's financial assets at September 30, 2017 and December 31, 2016, presented by nature and category for measurement purposes, is the following:

Thousands of euros						
09.30.2017	Other financial assets at fair value through P&L	Available-for-sale financial assets (Note 14)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Financial assets: Nature / Category						
Derivatives (Notes 14 and 22)	-	-	-	-	80,172	80,172
Other financial assets (Note 14)	-	26,935	178,725	-	-	205,660
Long-term / non-current	-	26,935	178,725	-	80,172	285,832
Derivatives (Note 22)	-	-	-	-	78,677	78,677
Other financial assets	-	-	96,992	-	-	96,992
Short-term / current	-	-	96,992	-	78,677	175,669
Total	-	26,935	275,717	-	158,849	461,501

Thousands of euros						
12.31.2016	Other financial assets at fair value through P&L	Available-for-sale financial assets (Note 14)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Financial assets: Nature / Category						
Derivatives (Notes 14 and 22)	-	-	-	-	69,253	69,253
Other financial assets (Note 14)	-	193	2,333	-	-	2,526
Long-term / non-current	-	193	2,333	-	69,253	71,779
Derivatives (Note 22)	-	-	-	-	56,726	56,726
Other financial assets	-	-	39,385	-	-	39,385
Short-term / current	-	-	39,385	-	56,726	96,111
Total	-	193	41,718	-	125,979	167,890

B. COMPOSITION AND BREAKDOWN OF FINANCIAL LIABILITIES

The breakdown of the Group's financial liabilities at September 30, 2017 and December 31, 2016, presented by nature and category for measurement purposes, is the following:

09.30.2017	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Financial liabilities:				
Nature / Category				
Bank borrowings (Note 21)	-	485,116	-	485,116
Derivatives (Note 22)	-	-	15,297	15,297
Other financial liabilities	-	185,691	-	185,691
Long-term / non-current	-	670,807	15,297	686,104
Bank borrowings (Note 21)	-	797,018	-	797,018
Derivatives (Note 22)	-	-	82,913	82,913
Other financial liabilities	-	13,354	-	13,354
Short-term / Current	-	810,372	82,913	893,285
Total	-	1,481,179	98,210	1,579,389

12.31.2017	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Financial liabilities:				
Nature / Category				
Bank borrowings (Note 21)	-	1,723	-	1,723
Derivatives (Note 22)	-	-	37,527	37,527
Other financial liabilities	-	3,205	-	3,205
Long-term / Non-current	-	4,928	37,527	42,455
Bank borrowings (Note 21)	-	104	-	104
Derivatives (Note 22)	-	-	62,449	62,449
Other financial liabilities	-	1,015	-	1,015
Short-term / Current	-	1,119	62,449	63,568
Total	-	6,047	99,976	106,023

14. Non – current financial assets

The breakdown of “Non-current financial assets” as of September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Derivatives (Note 22)	80,172	69,253
Available-for-sale financial assets	26,935	193
Other non-current financial assets	178,725	2,333
Total	285,832	71,779

A. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The detail of the cost of acquisition of the most representative long-term available-for-sale financial assets at September 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros		% of Shareholding 09.30.2017	% of Shareholding 12.31.2016
	09.30.2017	12.31.2016		
Jianping Shiyinzi Wind Power Co., Ltd.	4,438	-	25%	-(*)
Wendeng Zhangjiachan Wind Power Co., Ltd.	7,651	-	40%	-(*)
Beipiao CGN Changgao Wind Power Co., Ltd.	4,318	-	25%	-(*)
CGN Anqiu Wind Power Co., Ltd.	5,187	-	25%	-(*)
Beipiao Yangshugou Wind Power Co., Ltd.	2,349	-	25%	-(*)
Datang (Jianping) New Energy Co., Ltd.	1,812	-	25%	-(*)
Others	1,180	193	Several	Several
Total	26,935	193		

(*) owned by former GAMESA Group.

As at September 30, 2017, SIEMENS GAMESA Group holds investments in various Chinese companies (wind farms) with ownership interests generally of 25% to 40%. Despite holding ownership interests above 20%, SIEMENS GAMESA's management considers 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, SIEMENS GAMESA Group takes 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 windfarms.

With the goal of determining that the recoverable value of these stakes is not lower than the book value at which they are recorded, SIEMENS GAMESA Group requires the results and the financial position (equity) to be reviewed by an external auditor. These reviews take place annually and no significant impairments have been identified in the book value of the aforementioned interests.

During the current period, there has been no significant dividend income from these Chinese investments or gains from their sale.

B. OTHER NON-CURRENT FINANCIAL ASSETS

The amount presented under "Other non-current financial assets" as at September 30, 2017 substantially relates to the long-term portion of an indemnification receivable from the former ADWEN shareholder, Areva.

15. Inventories

Thousands of euros	09.30.2017	12.31.2016
Raw materials and supplies	765,158	294,056
Work in progress and finished goods	1,354,162	529,677
Cost in excess of billings (Note 18)	1,480,516	875,951
Advances to suppliers	125,735	41,838
Inventory write-downs	(270,473)	(93,630)
Total	3,455,098	1,647,892

"Cost of sales" includes inventories recognised as expense amounting to EUR 3,009 million and EUR 2,903 million in the years ended September 30, 2017 and December 31, 2016, respectively.

Current market conditions and pricing pressure have resulted in write-down of inventories amounting to EUR 134 million, mainly in the United States and South Africa, in order to mark those inventories down to their estimated realizable value (write-down of inventories recognised as expense in the year ended December 31, 2016 amounted EUR 0.1 million). Besides of that, inventory write-downs-increase is also related to the SIEMENS GAMESA Merger transaction and the fair value of assets at the acquisition date.

As of September 30, 2017 and December 31, 2016 there were no inventories pledged as security for liabilities.

16. Trade and other receivables

The detail of "Trade and other receivables" in the Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Trade and other receivables from third party	1,061,337	371,353
Trade and other receivables from related parties (Note 33)	92,838	771
Impairment due to uncollectible receivables	(73,036)	(6,589)
Total	1,081,139	365,535

All the aforementioned balances mature in less than twelve months and are non-interest-bearing.

The heading "Impairment due to uncollectible receivables" includes the allowances for doubtful accounts based on a recoverability analysis performed by SIEMENS GAMESA for uncollected past-due amounts and for potential problems relating to the collection of non matured items. The increase in this position in 2017 is mainly related to the SIEMENS GAMESA Merger transaction and the fair value of receivables at the acquisition date. This fair value is reflected in the gross value of the receivable and the regarding receivables' allowance.

The carrying amount of the trade and other receivables denominated in foreign currency as of September 30, 2017 and December 31, 2016 is as follows:

Currency	Equivalent value in thousands of euros	
	09.30.2017	12.31.2016
Canadian Dollar	12,184	58,442
US Dollar	146,546	43,638
Sterling Pound	41,262	55,761
Chinese Yuan	77,956	26,358
Danish Krone	78,621	20,828
Swedish Krona	12,395	5,177
Brazilian Real	50,432	2,017
Turkish Lira	2,716	15,145
Australian Dollar	22,292	37,454
Croatian Kuna	32,941	437
Egyptian Pound	10,449	-
Indian Rupee	153,641	-
Other currencies	27,041	7,930
Total	668,476	273,187

Movements in the provision for the impairment of the value of the trade and other receivables were as follows:

Thousands of euros	2017	2016
At January 1	6,589	2,307
Reversal of unused amounts (Note 30.E)	(3,717)	(2,609)
Creation of provisions (Note 30.E)	11,374	7,354
Usage due to uncollectability	(1,662)	(607)
Additions due to first-time consolidation	62,827	-
Exchange differences	(2,375)	144
At September 30 / December 31	73,036	6,589

17. Cash and other cash equivalents

The breakdown of "Cash and cash equivalents" in the accompanying Consolidated Balance Sheets at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Cash in euros	749,850	115,448
Cash in foreign currency (Note 4.M)	585,609	32,775
Liquid assets; initial maturity in less than three months (Note 4.M)	324,009	-
Total	1,659,468	148,223

"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.

Liquid assets with initial maturity in less than three months is mainly denominated in foreign currency (Note 4.M).

18. Construction contracts in progress

The breakdown of the construction contracts in progress is the following:

	Thousands of euros			
	09.30.2017	12.31.2016	01.01.2017 - 09.30.2017	01.01.2016 – 12.31.2016
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	12,311,786	8,892,151	-	-
Amount of contract revenue recognised as revenue in the period	-	-	5,987,453	5,890,802
Amount of retentions	1,526	18,490		
Costs in Excess of Billings (Note 15)	1,480,516	875,951		
<i>thereof Related Parties</i>	148,665	168,243		
Billings in Excess of Costs (Note 28)	1,566,048	1,505,141		
<i>thereof Related Parties</i>	130,460	260,434		
Amount of advances received (financing type advances) only positive amount	382,009	65,144		
<i>thereof Related Parties</i>	92,530	-		

When the outcome of a construction contract can be estimated reliably, SIEMENS GAMESA applies the percentage of completion method for construction contracts, based on the percentage of costs incurred to date compared to the total estimated contract costs.

The aggregate amount of costs incurred and recognised profits (less recognised losses) for construction contracts in progress as of September 30, 2017 and December 31, 2016 amounted to EUR 12,311,786 thousands and EUR 8,892,151 thousands, respectively. The amount of revenue from construction contracts (meeting the requirements indicated in Note 2.B) recognised in the period amounted to EUR 5,987,453 thousands and EUR 5,890,802 thousands for 2017 year end (until September 30) and 2016 year end (until December 31).

The gross amount due from customers for contract work, included under "Inventories", amounted to EUR 1,480,516 thousands and EUR 875,951 thousands, respectively, as of September 30, 2017 and December 31, 2016. This includes an amount of EUR 148,665 thousands from related parties as of September 30, 2017 (EUR 168,243 thousands as of December 31, 2016). The gross amount due to customers for contract work, included in "Other current liabilities", amounted to EUR 1,566,048 thousands and EUR 1,505,141 thousands, respectively, as of September 30, 2017 and December 31, 2016. This includes an amount of EUR 130,460 thousands due to related parties as of September 30, 2017 (EUR 260,434 thousands as of December 31, 2016).

The amount of advances received from costumers before the related work of the construction work is performed, included under "Other current liabilities", amounted to EUR 382,009 thousands and EUR 65,144 thousands, respectively, as of September 30, 2017 and December 31, 2016. This includes advanced payments received from related parties amounted to EUR 92,530 thousands as of September 30, 2017 (EUR 0 as of December 31, 2016). The retentions, as amounts of progress billings that are not paid until the fulfilment of conditions specified in the contract for the payment of such amounts or until defects have been rectified, amounted to EUR 1,526 thousands and EUR 18,490 thousands, respectively, as of September 30, 2017 and December 31, 2016.

19. Equity of the Parent Company

A. **ISSUED CAPITAL**

The Share capital of SIEMENS GAMESA Renewable Energy, S.A. at September 30, 2017 amounts to EUR 115,794 thousands being composed of 681,143,382 ordinary shares of EUR 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 SIEMENS GAMESA at September 30, 2017 is as follows:

	% Shareholding 09.30.2017
Siemens AG (*)	59.000%
Iberdrola, S.A.	8.071%
Others (**)	32.929%
Total	100.000%

(*) 28.877% by Siemens Beteiligungen Inland GmbH.

(**) All with an ownership interest of less than 3% and there are no significant shareholders according to the article 32 of the Royal Decree 1362/2007 of October 19 on shareholders required to notify their stake due to the residence in a tax haven or in a country of 0 taxation or with no effective exchange of tax information.

SIEMENS GAMESA's shares are listed in IBEX 35 through the Automated Quotation System (Mercado Continuo) at the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges.

The main objectives of SIEMENS GAMESA Group share capital management are to ensure short and long term financial stability, the positive market performance of the shares of SIEMENS GAMESA, the adequate financing of its investments and maintaining levels of external financing in line with the development of the business, so to ensure that the SIEMENS GAMESA Group maintains its financial strengths and the soundness of its financial ratios.

At September 30, 2017, the SIEMENS 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 -5.85% (-24.98% in December 31, 2016).

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	09.30.2017	12.31.2016
Non-current liabilities		
Bank borrowings (Note 21)	485,116	1,723
Current liabilities		
Bank borrowings (Note 21)	797,018	104
Total bank borrowings	1,282,134	1,827
Cash and other cash equivalents (Note 17)	(1,659,468)	(148,223)
Bank borrowings net of cash	(377,334)	(146,396)
Total Equity of the Parent Company	6,447,052	586,041
Proportion of debt (net of cash) and equity attributable to the Parent company	(5.85%)	(24.98%)

B. **CAPITAL RESERVE**

The Spanish Companies Act allows the use of the share premium to increase share capital and there is no specific restrictions for it.

C. UNREALISED ASSET AND LIABILITY REVALUATION RESERVE

The changes in this reserve in 2017 and 2016 were as follows:

Thousands of euros	12.31.2016	Change in fair value	Taken to Profit and Loss	09.30.2017
Cash-flow hedges				
Interest rate swaps	-	(373)	754	381
Securities of electricity price hedge	-	(548)	27	(521)
Currency forwards	27,926	51,934	(4,197)	75,663
	27,926	51,013	(3,416)	75,523
Deferred taxes due to the remeasurement of unrealised assets and liabilities	(5,955)	(14,992)	1,206	(19,741)
Total	21,971	36,021	(2,210)	55,782

Thousands of euros	12.31.2015	Change in fair value	Taken to Profit and Loss	12.31.2016
Cash-flow hedges				
Currency forwards	15,914	37,891	(25,879)	27,926
	15,914	37,891	(25,879)	27,926
Deferred taxes due to the remeasurement of unrealised assets and liabilities	(866)	(2,506)	(2,583)	(5,955)
Total	15,048	35,385	(28,462)	21,971

D. LEGAL RESERVES

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. SIEMENS GAMESA had neither other nor legal reserves in the previous year.

E. TREASURY SHARES

The change in treasury shares held is as follows:

	Number of shares	Thousands of euros	Average price
Balance at January 1, 2017	-	-	-
First time consolidation at April 3, 2017	1,674,209	(37,410)	22.345
Acquisitions	9,433,101	(156,624)	16.604
Disposals	(9,399,802)	172,529	18.355
Balance at September 30, 2017	1,707,508	(21,505)	12.594

There were no treasury shares during the 12 month period ended in December 31, 2016.

The nominal value of the treasury shares acquired directly or indirectly by SIEMENS GAMESA, together with those already held by SIEMENS GAMESA and its subsidiaries does not exceed 10% of share capital in 2017.

On October 30, 2012 Gamesa Corporación Tecnológica, S.A. (currently SIEMENS GAMESA) entered in a liquidity agreement with Santander Investment Bolsa, which was reported to the National Security Market Commission (CNMV) on a Relevant Event of October 31, 2012. Within the framework of this agreement, during the period ranging from April to June, SIEMENS GAMESA acquired 4,562,229 own shares at the average price of EUR 20.00 per share, and sold 4,600,909 own shares at an average price of EUR 20.90 per share. On July 10, 2017, SIEMENS GAMESA entered into a new liquidity contract with Santander Investment Bolsa, which was communicated to the CNMV through a notice of a significant event on July 10, 2017. Within the framework of this agreement, during the months of July, August, and September, SIEMENS GAMESA acquired 4,870,872 own shares at the average price of EUR 13.43 per share, and sold 4,798,893 own shares at an average price of EUR 15.92 per share. The EUR 300 thousands difference between the cost and sales price was recognised under "Retained Earnings."

20. Non – controlling interests

The development of the non-controlling interests from non-wholly owned subsidiaries in 2017 (until September) and 2016 (until December) is as follows:

	Thousands of euros
Balance at December 31, 2015	(3,648)
Profit for the year	135
Other movements	3,579
Balance at December 31, 2016	66
Additions due to SIEMENS GAMESA Merger	448
Profit for the year	2,428
Other movements	(128)
Balance at September 30, 2017	2,814

These minority shareholdings are not material for the Consolidated Financial Statements of SIEMENS GAMESA as of September 30, 2017 and December 31, 2016.

21. Debt

The debt in the Balance sheet at September 30, 2017 and December 31, 2016 as well as the maturity dates are as follows:

Thousands of euros	Carrying Value Balance at 09.30.2017	Debts at September 30, 2017 maturing at						Total Non-current
		Current < 1 year	Non-current					
			1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	
Loans from banks	1,033,866	561,628	341,124	63,791	39,049	19,151	9,123	472,238
Finance leases	5,930	727	731	783	839	550	2,300	5,203
Loans in euros	1,039,796	562,355	341,855	64,574	39,888	19,701	11,423	477,441
Indian Rupee	210,603	208,603	2,000	-	-	-	-	2,000
Chinese Yuan	19,100	19,100	-	-	-	-	-	-
Swedish Krona	4,437	364	385	407	431	455	2,395	4,073
US Dollar	4,733	4,733	-	-	-	-	-	-
Other	3,465	1,863	104	112	123	133	1,130	1,602
Loans and credits facilities denominated in foreign currency (Note 4.M)	242,338	234,663	2,489	519	554	588	3,525	7,675
Total	1,282,134	797,018	344,344	65,093	40,442	20,289	14,948	485,116

Thousands of euros	Debts at December 31, 2016 maturing at							
	Carrying Value	Current			Non-current			Total Non-current
	Balance at 12.31.2016	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	
Loans from banks	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-
Loans in euros	-	-	-	-	-	-	-	-
Indian Rupee	-	-	-	-	-	-	-	-
Chinese Yuan	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	-	-	-	-
Danish Krone	1,784	89	97	106	115	125	1,252	1,695
Other	43	15	13	15	-	-	-	28
Loans and credits facilities denominated in foreign currency (Note 4.M)	1,827	104	110	121	115	125	1,252	1,723
Total	1,827	104	110	121	115	125	1,252	1,723

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 that would be obtained currently in the market.

The debt in the balance sheet at September 30, 2017 relates to historical financing agreements of GAMESA as follows:

- On December 19, 2008, Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal) entered into a financing agreement with the European Investment Bank for a maximum amount of EUR 200 million, divided into two parts, EUR 140 million and EUR 60 million, respectively. The terms of this credit establish maturity in 2018 and 2019 and an interest rate indexed to Euribor plus a market spread. These credits were fully drawn at December 31, 2014. On March 31, 2015, Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal partially and in advance amortized EUR 40 million of this loan, so being the rest of the loan drawn at September 30, 2017 amounting to EUR 160 million.
- At November 29, 2012, Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal obtained a EUR 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 drawn at September 30, 2017.
- At June 3, 2014, GAMESA signed a novation of a syndicated credit line contract ("revolving") amounting to EUR 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 EUR 750 million maturing in December 2019. Additionally, on December 17, 2015, GAMESA signed a new novation of that credit line, maintaining the limit amount on EUR 750 million and extending its maturity to 2021. On December 14, 2016 GAMESA signed an extension of this maturity to 2022. At September 30, 2017 no amount has been drawn from this credit line.

At September 30, 2017, the SIEMENS GAMESA Group companies had been granted loans and had drawn from credit facilities that accounted for 48% of the total financing granted to them, maturing between 2017 and 2026 and bearing weighted average interest at Euribor plus a market spread. The loans outstanding at September 30, 2017 bore annual weighted average interest at approximately 2.21% at that date.

At September 30, 2017 the caption "Debt" (current and non current) also includes EUR 32,389 thousands of interest-free advances provided to Siemens Gamesa Renewable Energy Innovation & Technology, S.L.U. (former 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 for financing R&D projects, and which are repayable over 7 or 10 years, following a three-year grace period.

At September 30, 2017 the companies of the Group were using loan agreements amounting to EUR 424 million with certain obligations, as the compliance with financial ratios throughout the life of the agreement relating to the capacity to generate resources in the operations, to the debt level and financial duties. Also, these arrangements establish certain limits to the arrangement of additional borrowings and to 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 September 30, 2017, the established financial ratios are met and the Group estimates that they will continue to be met in the future.

At September 30, 2017, the Group has one bank borrowing of EUR 25 million tied to fixed interest rates (Note 5.A).

The fair value, taking into consideration the counterparty credit risk, of bank borrowings at September 30, 2017 is similar to the carrying value since the debt is subject to variable interest rates and market spreads (Note 4.J).

At September 30, 2017 and December 31, 2016, the sensitivity of the market value of bank borrowings in relation to interest rate changes is as follows:

Thousands of euros	Interest rate change			
	09.30.2017		12.31.2016	
	+0,25%	-0,25%	+0,25%	-0,25%
Change in the value of the debt (*)	2,626	(2,626)	4	(4)

(*) Income and equity increase in negative and expenses and equity decrease in positive

At September 30, 2017 and December 31, 2016, the sensitivity of the market value of foreign currency bank borrowings in relation to exchange rate and interest rate changes is as follows:

Thousands of euros	09.30.2017				12.31.2016			
	Change in the interest rate		Change in Exchange rate (EUR/foreign currency)		Change in the interest rate		Change in Exchange rate (EUR/foreign currency)	
	+0.25%	-0.25%	+5%	-5%	+0.25%	-0.25%	+5%	-5%
Change in the value of the debt (*)								
Indian Rupee	363	(363)	10,029	(11,084)	-	-	-	-
Chinese Yuan	43	(43)	910	(1,005)	-	-	-	-
Swedish Krona	3	(3)	211	(234)	-	-	-	-
Danish Krone	4	(4)	81	(89)	4	(4)	85	(94)
US Dollar	2	(2)	225	(249)	-	-	-	-
Philippine Peso	1	(1)	63	(69)	-	-	-	-

(*) Income and equity increase in negative and expenses and equity decrease in positive

The 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 5.A and 22).

22. Derivative financial instruments

The SIEMENS 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 valuation of derivatives in the Consolidated Balance Sheets at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017			
	Current		Non-current	
	Assets (Note 13)	Liabilities (Note 13)	Assets (Notes 13 and 14)	Liabilities (Note 13)
Interest rate hedges				
Cash-flow hedges	29	-	281	2,300
Electric prices hedges				
Cash-flow hedges	-	-	-	711
Foreign currency hedges				
Cash-flow hedges	26,264	26,168	58,552	2,158
Fair value hedges	-	61	-	-
Other derivatives				
Foreign currency derivatives	35,770	37,800	6,037	4,003
Embedded derivatives	16,435	18,883	15,302	6,125
Other derivatives	179	1	-	-
Total	78,677	82,913	80,172	15,297
Thousands of euros	12.31.2016			
	Current		Non-current	
	Assets (Note 13)	Liabilities (Note 13)	Assets (Notes 13 and 14)	Liabilities (Note 13)
Interest rate hedges				
Cash-flow hedges	-	-	-	-
Electric prices hedges				
Cash-flow hedges	-	-	-	-
Foreign currency hedges				
Cash-flow hedges	28,162	34,194	54,793	15,642
Fair value hedges	1,050	2,387	-	-
Other derivatives				
Foreign currency derivatives	20,725	22,636	1,811	19,304
Embedded derivatives	5,951	3,226	12,649	2,581
Other derivatives	838	6	-	-
Total	56,726	62,449	69,253	37,527

In the year ended September 30, 2017, the SIEMENS GAMESA Group recognised an expense of EUR 754 thousands (EUR 0 in the year ended December 31, 2016) under "Interest expenses" and an income of EUR 4,197 thousands (income of EUR 25,879 thousands in the year ended December 31, 2016) under "Cost of Sales" of the Consolidated Statement of Profit and Loss. These amounts have been reclassified from "Equity - Unrealised asset and liability revaluation reserve" (Note 19.C), under which they had previously been booked.

The SIEMENS 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, the Group designates hedges for the exchange rate risk deriving from certain intragroup monetary transactions carried out by companies with different functional currencies. At September 30, 2017 and December 31, 2016 the total nominal value hedged by exchange rate hedges is as follows:

Currency	Thousands of euros	
	09.30.2017	12.31.2016
Danish Krone	3,862,446	1,874,143
Sterling Pound	524,591	684,563
US Dollar	153,381	117,802
South African Rand	8,038	134,815
Chinese Yuan	140,859	-
Indian Rupee	115,867	-
Australian Dollar	31,737	13,753
Japanese Yen	42,721	43,821
Canadian Dollar	58,144	47,971
Brazilian Real	14,795	-
Turkish Lira	20,710	-
Moroccan Dirham	19,219	-
Norwegian Krone	59,553	24,196
Mexican Peso	12,381	-
Swedish Krona	52,891	6,501
Romanian Leu	11,406	-
Others	56,113	6,560
Total	5,184,852	2,954,125

In addition, the SIEMENS 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 September 30, 2017 and December 31, 2016, the nominal value of the liabilities hedged by interest rate hedges amounted to EUR 217,260 thousands and EUR 0, respectively.

The main features of the interest rate hedges are as follows:

09.30.2017	Estimated period of cash-flows	
	2018	2019 and subsequent
Interest rate hedges	1,120	216,140

12.31.2016	Estimated period of cash-flows	
	2017	2018 and subsequent
Interest rate hedges	-	-

No significant ineffectiveness has been detected in the hedges designated by the Group at September 30, 2017 and December 31, 2016.

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:

	09.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
By Geographical area				
Germany	97,399	62%	102,868	82%
Spain	12,833	8%	-	-
Other European Union countries	27,379	17%	17,811	14%
Rest of the world	21,238	13%	5,300	4%
Total	158,849	100%	125,979	100%
By Counterparty				
Financial institutions	25,350	16%	1,843	1%
Related parties	101,704	64%	105,536	84%
Other institutions	31,795	20%	18,600	15%
Total	158,849	100%	125,979	100%

The detail of the derivatives based on the credit ratings assigned to counter parties by external credit rating agencies is as follows:

	09.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
Risks rated A or A-	121,253	76%	107,379	85%
Risks rated BBB+	7,771	5%	272	0%
Risks rated BBB	6,170	4%	-	0%
Risks rated BBB- or less	23,655	15%	18,328	15%
Total	158,849	100%	125,979	100%

B. MARKET RISK

The sensitivity of the market value of the hedging derivatives arranged by the SIEMENS GAMESA Group to interest rate and exchange rate changes is as follows:

Thousands of euros	Percentage change in interest rate			
	2017		2016	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	100	(100)	-	-

Thousands of euros	Percentage change in exchange rates			
	2017		2016	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	3,032	(3,032)	1,300	(1,300)

C. MATURITY OF DERIVATIVE LIABILITIES

The maturity of derivative liabilities are as follows:

Thousands of euros	09.30.2017			
	Derivative Liabilities			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	2,168	66	66
Electric prices hedges	-	-	210	501
Foreign currency hedges	26,229	1,280	643	235
Other derivatives	56,684	5,943	3,203	982
Total	82,913	9,391	4,122	1,784

Thousands of euros	12.31.2016			
	Derivative Liabilities			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	-	-	-
Electric prices hedges	-	-	-	-
Foreign currency hedges	36,581	6,058	8,585	999
Other derivatives	25,868	4,587	1,905	15,393
Total	62,449	10,645	10,490	16,392

23. Provisions

Thousands of euros	Beginning Balance	Additions due to first-time consolidation	Period provisions charged to Statement of P&L (Note 30.E)	Provisions used for their intended purpose	Differences on exchange in foreign currency	Thereof non-current	
Year 2017						09.30.2017	1,414,970
Warranties	1,195,593	910,307	299,391	(428,732)	(42,579)	1,933,980	1,414,970
Order related losses and risks	35,351	263,982	28,836	(18,115)	(3,206)	306,848	251,368
Other	16,497	53,187	4,123	(6,926)	(2,582)	64,299	35,302
Total	1,247,441	1,227,476	332,350	(453,773)	(48,367)	2,305,127	1,701,640

Thousands of euros	Beginning Balance	Additions due to first-time consolidation	Period provisions charged to Statement of P&L (Note 30.E)	Provisions used for their intended purpose	Differences on exchange in foreign currency	Thereof non-current	
Year 2016						12.31.2016	887,673
Warranties	1,151,706	-	434,085	(398,972)	8,774	1,195,593	875,744
Order related losses and risks	11,656	-	38,026	(19,294)	4,963	35,351	8,396
Other	13,806	-	2,827	(2,349)	2,213	16,497	3,533
Total	1,177,168	-	474,938	(420,615)	15,950	1,247,441	887,673

Provisions are recognised if SIEMENS GAMESA Group has a present legal or constructive obligation as a result of past events, which will lead to a probable outflow of resources embodying economic benefits in the future and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the present value of the expenditure required to settle the present obligation. The majority of the provisions of the Group are generally expected to result in cash outflows during the next 1 to 10 years.

Warranty provisions are related to repair and replacement costs resulting from component defects or functional errors, which are covered by SIEMENS GAMESA Group during the warranty period. In addition to this, non-recurring provisions derived from various factors, such as customer complaints and quality issues that, in general, relate to situations in which the expected failure rates are above normal levels, are recorded.

SIEMENS GAMESA recognises provisions for order related losses and risks when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In this regard, in relation to loss incurring contracts, the amount as at September 30, 2017 includes, fundamentally, expected losses of an onerous contracts signed in previous years by a SIEMENS GAMESA Group subsidiary (Adwen) for the construction of an offshore wind farm in northern Europe, being also included, under first time consolidation additions.

Other provisions include various types of provisions, such as provisions for legal proceedings or personnel-related provisions.

24. Post-employment benefits

The Group provides post-employment defined benefit plans or defined contribution plans to certain Group employees.

The expense recognised for post-employment defined contribution plans amounts to EUR 44.3 million during the current reporting period.

The Group provides post-employment defined benefit plans to almost all of the Group's employees in Germany. Outside Germany predominantly service gratuities and severance indemnities from legislative requirements or industry arrangements are provided by a limited number of entities in several jurisdictions.

The Group's major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement), those plans are managed in the interest of the beneficiaries.

The defined benefit plans cover about 3,000 participants, virtually completely constituted by active employees only.

In Germany, the Group provides pension benefits through the plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of the Group's active employees participate in the BSAV. Those benefits are predominantly based on contributions made by the Group and returns earned on such contributions, subject to a minimum return warranted by the Group. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases. However, these frozen plans still expose the Group to investment risk, interest rate risk and longevity risk. No legal or regulatory minimum funding requirements apply. Instead, the pension plans are funded via contractual trust arrangements (CTA).

A. DEVELOPMENT OF THE DEFINED BENEFIT PLANS

Thousands of euros	Defined benefit obligation (DBO)		Fair value of plan assets		Net defined benefit liability	
	(I)		(II)		(I)-(II)	
	2017	2016	2017	2016	2017	2016
Balance at the beginning of the year	30,227	26,189	23,145	23,020	7,082	3,169
Current service cost	3,433	3,781	-	-	3,433	3,781
Interest expense	266	257	-	-	266	257
Interest income	-	-	125	125	(125)	(125)
Components of defined benefit recognised in the Consolidated Statement of Profit and Loss	3,699	4,038	125	125	3,574	3,913
Return on plan assets excluding amounts included in net interest income and net interest expenses	-	-	144	-	(144)	-
Actuarial (gains) losses	2,209	-	-	-	2,209	-
Remeasurements recognised in the Consolidated Statement of Other Comprehensive Income	2,209	-	144	-	2,064	-
Employer contributions	-	-	59	-	(59)	-
Benefits paid	(24)	-	-	-	(24)	-
Foreign currency translation effects	(20)	-	-	-	(21)	-
	(44)	-	59	-	(106)	-
Balance at year end	36,091	30,227	23,473	23,145	12,617	7,082
thereof:						
Germany	33,653	27,900	22,412	21,890	11,241	6,010

The remeasurement comprises actuarial (gains) and losses resulting from:

Thousands of euros	2017	2016
Changes in demographic assumptions	19	-
Changes in financial assumptions	(812)	-
Experience (gains) losses	3,002	-
Total	2,209	-

B. ACTUARIAL ASSUMPTIONS

The weighted-average discount rate used for the actuarial valuation of the DBO of the German plans was 2.00% (prior year 1.81%). For Germany, Heubeck Richttafeln 2005G (modified) have been applied. The pension progression rate was 1.50% in Germany (same as prior year).

C. SENSITIVITY ANALYSIS

A one-half-percentage-point change of the above assumptions would result in the following increase (decrease) of the German DBO:

Thousands of euros	Effect on DBO (Germany) due to one-half percentage-point	
	Increase	Decrease
	2017	2017
Discount rate	(1,894)	2,136
Rate of pension progressions	577	(522)

The (German) DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of EUR 461 thousands.

D. DISAGGREGATION OF PLAN ASSETS

Thousands of euros	2017	2016
Mixed funds	22,417	2,155
Insurance	1,056	958
Cash	-	20,032
Total	23,473	23,145

Virtually all funds have quoted prices in active markets and are Investment grade.

E. FUTURE CASH FLOWS

Employer contributions expected to be paid to Funded Defined Benefit Plans in year 2018 amount to approximately EUR 4 million. Over the next 10 years, average annual benefit of approximately EUR 0.7 million and EUR 0.5 million respectively, are expected as of September 30, 2017 and December 31, 2016. The weighted average discount rate duration of the German DBO is of approximately 12.5 years.

25. Other non-current liabilities

The breakdown of "Other non-current liabilities" in the accompanying Consolidated Balance Sheets is as follows:

Thousands of euros	09.30.2017	12.31.2016
Long-term accruals	6,236	8,480
Deferred income	8,168	8,720
Other non-current liabilities	1,902	860
Total	16,306	18,060

26. Income tax expense/(income)

Since 2002 SIEMENS GAMESA and the following subsidiaries subject to Basque Country income tax legislation have filed their income tax returns under the Special Consolidated Tax Regime.

Also since 2009, SIEMENS GAMESA and its 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 SIEMENS GAMESA the Parent company of the Tax Group.

Siemens Gamesa Renewable Energy, S.A. (Parent company)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Siemens Gamesa Renewable Energy Europa, S.L.	Sistemas Energéticos Fonseca, S.A.U.
Siemens Gamesa Renewable Energy Wind Farm, S.A.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Siemens Gamesa Renewable Energy International Wind Services, S.A.	Sistemas Energéticos Balazote, S.A.U.
Siemens Gamesa Renewable Energy Invest, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
International Windfarm Developments II, S.L.	Sistemas Energéticos Monte Genaro, S.L.U.
Sistemas Energéticos Tablero Taborado, S.L.	Sistemas Energéticos Argañoso, S.A.U.
Sistemas Energéticos Tarifa, S.L.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.
Siemens Gamesa Renewable Finance, S.A.	International Windfarm Development IX, S.L.
Parque Eólico Dos Picos, S.L.	Sistemas Energéticos del Umia, S.A.
Sistemas Energéticos Cuerda Gitana, S.A.	Sistemas Energéticos Cuntis, S.A.
Sistemas Energéticos Loma del Viento, S.A.	Sistemas Energéticos Barandón, S.A.
Sistemas Energéticos Tomillo, S.A.	Sistemas Energéticos Alcohujate, S.A.
Sistemas Energéticos Sierra de las Estancias, S.A.	Sistemas Energéticos La Plana, S.A.
Sistemas Energéticos Ladera Negra, S.A.	Sistemas Energéticos Campoliva, S.A.
Sistemas Energéticos Alto da Croa, S.A.	Sistemas Energéticos Cabezo Negro, S.A.
Sistemas Energéticos Cabanelas, S.A.	Sistemas Energéticos La Cámara, S.L.
Sistemas Energéticos Edreira, S.A.	

The same entities, except the ones included in the next table are covered by the Special Regime of the Group of Entities of Value Added Tax:

Siemens Gamesa Renewable Energy International Wind Services, S.A.	International Windfarm Development VII, S.L.
International Windfarm Development IV, S.L.	Siemens Gamesa Renewable Finance, S.A.
International Windfarm Development V, S.L.	Siemens Gamesa Renewable Energy Invest, S.A.
International Windfarm Development VI, S.L.	Sistemas Energéticos Tablero Taborado, S.L.
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Sistemas Energéticos Loma del Viento, S.A. Unipersonal
Sistemas Energéticos Tomillo, S.A. Unipersonal	Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Sistemas Energéticos Alto da Croa, S.A. Unipersonal
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Sistemas Energéticos Edreira, S.A. Unipersonal
Sistemas Energéticos del Umia, S.A. Unipersonal	Sistemas Energéticos Cuntis, S.A. Unipersonal
Sistemas Energéticos Barandón, S.A.	Sistemas Energéticos Alcohujate, S.A. Unipersonal
Sistemas Energéticos La Plana, S.A.	Sistemas Energéticos Campoliva, S.A. Unipersonal
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Sistemas Energéticos La Cámara, S.L.

The breakdown of income tax between current tax and deferred taxes is as follows:

Thousands of euros	2017	2016
Current taxes	140,156	5,496
Deferred taxes	(150,373)	55,477
Income tax expense/(income)	(10,217)	60,973

The current income tax expense (benefit) in the year ended September 30, 2017 and December 31, 2016 includes adjustments recognised for current tax of prior years amounting to EUR (337) thousands and EUR 279 thousands, respectively. The deferred tax expense (benefit) in the year ended September 30, 2017 and December 31, 2016 includes tax effects of the origination and reversal of temporary differences of EUR (142,614) thousands and EUR 43,907 thousands, respectively.

Income tax expense (current and deferred) differs from the amounts computed by applying the combined statutory Spanish income tax rate of 28% as follows:

Thousands of euros	2017	2016
Income before taxes	(22,996)	504,011
Expected income tax expense / (income)	(6,439)	141,123
Increase (decrease) resulting from		
- Non-deductible losses and expenses	14,999	1,260
- Tax-free income	(18,558)	(48)
- Taxes from prior years	1,283	(793)
- Changes in realizability of deferred tax assets and tax credits	18,706	-
- Changes in tax rates	(220)	155
- Foreign tax rate differential	(18,252)	3,256
- Taxes borne by Siemens Regional Companies before SWP carve-out (*)	-	(86,675)
- Other, net	(1,736)	2,695
Actual income tax expense	(10,217)	60,973

(*) Income taxes relating to the pre-existing legal entities and the SWP NewCos have been included from their respective carve-out date. Before carve-out, income tax expenses have been borne by the Siemens Regional Companies and are therefore not included in the statement of Profit and Loss of the SIEMENS GAMESA Group. Had the carve-out been completed in all countries before January 1, 2016, the additional tax expense of the SIEMENS GAMESA reporting Group for the year ended December 31, 2016 would be approximately EUR 86,675 thousands.

27. Deferred taxes

The difference between the tax charge allocated to each year and the tax payable for that year, recognised under "Deferred tax assets" and "Deferred tax liabilities" on the asset and liability sides, respectively, of the Consolidated Balance Sheet at September 30, 2017 and December 31, 2016 arose as a result of the following 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 preliminary Purchase Price Allocation (PPA) effect.

The breakdown of "Deferred tax assets" and "Deferred tax liabilities" on a gross basis in the accompanying Consolidated Balance Sheet at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Assets		
Non-current and current assets	196,875	27,614
Liabilities	321,983	175,856
Other	993	68
Tax loss carryforwards	165,252	11,659
Tax credit carryforwards	78,962	-
Deferred tax assets	764,065	215,197
Liabilities		
Non-current and current assets	891,760	145,385
Liabilities	41,237	1,991
Other	5,815	-
Deferred tax liabilities	938,812	147,376
Total deferred tax assets (liabilities), net	(174,747)	67,821

The change in Deferred taxes substantially relates to the first-time consolidation of SIEMENS GAMESA (Note 1.B).

The SIEMENS GAMESA Group recognises deferred tax assets, tax loss carryforward and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured.

Deferred tax assets have not been recognised with respect of the following items (gross and net amounts):

Thousands of euros	09.30.2017	12.31.2016
Deductible temporary differences	375,425	-
Tax loss carryforwards	1,630,549	-
Total (gross amounts)	2,005,974	-
Thousands of euros	09.30.2017	12.31.2016
Tax credit carryforwards, net	184,304	-
Total (net amounts)	184,304	-

As of September 30, 2017, EUR 644,875 thousands of the unrecognised tax loss carryforwards expire over the periods to 2034 and EUR 180,028 thousands of the unrecognised tax credits expire over the periods to 2031.

The SIEMENS GAMESA Group has not recognised deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of EUR 802,447 thousands and EUR 95,212 thousands, respectively in years 2017 and 2016 because the earnings are intended to be permanently reinvested in the subsidiaries.

Including items charged or credited directly to equity and the expense (benefit) from continuing and discontinued operations, the income tax expense (benefit) consists of the following:

Thousands of euros	09.30.2017	12.31.2016
Continuing operations	(10,217)	60,973
Income and expenses recognised directly in equity	14,638	5,089
Total	4,421	66,062

28. Other current assets and liabilities

The detail of other current assets and liabilities at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Other current tax assets		
Other tax receivables	289,091	34,437
Non-tax related current assets		
Prepaid expenses	45,238	28,450
Other current assets	7,127	708
Total	341,456	63,595

Thousands of euros	09.30.2017	12.31.2016
Other current tax liabilities		
Other tax liabilities	169,890	39,030
Non-tax related current liabilities		
Billings in excess of costs (Note 18)	1,566,048	1,505,141
Current liabilities to personnel	275,808	159,143
Other current liabilities	633,012	261,675
Total	2,644,758	1,964,989

29. Commitments, warranties to third parties and contingent liabilities

At September 30, 2017, the SIEMENS GAMESA Group had provided warranties to third parties amounting to EUR 90,632 thousands (EUR 12,362 thousands at December 31, 2016). The breakdown by type of the warranties provided by the SIEMENS GAMESA Group is as follows:

Thousands of euros	09.30.2017	12.31.2016
Financing Warrantied	75,118	12,362
Warranties provided to the government	15,514	-
Total	90,632	12,362

The SIEMENS GAMESA Group considers that the liabilities, if any, which might arise from the obligations and warranties shown in the table above in addition to those for which provisions had been recognised at September 30, 2017 and December 31, 2016 would not be significant.

In addition, the SIEMENS GAMESA Group provides credit warranties which cover the financial obligations of third parties generally in cases where the SIEMENS GAMESA Group is the vendor and (or) contractual partner or the SIEMENS GAMESA Group is liable for obligations of associated companies accounted for using the equity method. Total outstanding credit warranties amount to EUR 307 thousands as at September 30, 2017 and EUR 344 thousands as at December 31, 2016.

Furthermore, the SIEMENS GAMESA Group issues warranties of third-party performance for project partners. In the event of non-fulfilment of contractual obligations by the partner(s), the SIEMENS GAMESA Group will be required to pay up to an agreed-upon maximum amount. The total amount of warranties of third-party performance as at September 30, 2017 is EUR 1,500 thousands (EUR 1,554 thousands as at December 31, 2016).

Additionally, in line with widespread industry practice, the Group grants warranties and compensation commitments to cover obligations arising from the ordinary course of its business, coming from the sale of assets and from potential liabilities of its activities. As at the date of these Consolidated Financial Statements, the probability of a breach that would trigger a liability for these commitments to any material extent is remote.

30. Revenue and expense

A. REVENUE AND OTHER OPERATING INCOME

The detail of these headings in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

Thousands of euros	2017	2016
Sale of goods	5,763,818	5,100,222
Rendering of services	774,380	1,063,674
Net revenues	6,538,198	6,163,896

B. PROCUREMENTS

The detail of "Procurements" in the Consolidated Statement of Profit and Loss by nature for 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Acquisitions of raw materials and other supplies	4,499,391	4,019,571
Changes in inventories	(406,548)	(132,152)
Total	4,092,843	3,887,419

C. STAFF COSTS

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss by nature is as follows:

Thousands of euros	2017	2016
Wages and salaries	1,020,413	969,551
Social welfare contributions	103,411	81,062
Expenses related to Pension Plans	48,126	67,432
Total	1,171,950	1,118,045

Linked to the achievement of strategic medium-and long-term objectives, the Board of GAMESA's approved in 2016 a 2016-2017 incentive of which were beneficiaries key personnel in number of approximately 100 employees, linked to achieving an operating result (EBIT) of the period from January 1, 2016, up to the date of effectiveness of the Merger. This incentive plan includes a period of permanence for their full payment of two years. Based on this agreement, and during the current reporting period, the Company recognised EUR 2.52 million cost.

The average number of employees and Directors in 2017 and 2016, by professional category, was as follows:

Categories	2017	2016
Board Members	9	-
Executive / Senior management	240	114
Managers	2,516	1,382
Individual contributor	19,667	12,507
Total	22,432	14,003

The distribution of employees by gender in September 30, 2017 and December 31, 2016 is as follows:

	09.30.2017		
	Male	Female	Total
Board Members	6	6	12
Executive / Senior management	260	29	289
Managers	2,395	592	2,987
Individual contributor	18,175	4,026	22,201
Total	20,836	4,653	25,489

	12.31.2016		
	Male	Female	Total
Board Members	-	-	-
Executive / Senior management	121	9	130
Managers	1,157	280	1,437
Individual contributor	11,110	2,491	13,601
Total	12,388	2,780	15,168

The Executive Management is formed by 7 members at September 30, 2017, all of them male (0 member at December 31, 2016).

The average number of employees of the SIEMENS GAMESA Group in 2017 and 2016, with a disability equal to or greater than 33%, by category, was as follows:

Categories	2017	2016
Management personnel	1	-
Employees	17	-
Total	18	-

This average number of employees with a disability equal to or greater than 33% is referred to the employees of the Spanish companies of the consolidated scope.

D. OTHER OPERATING EXPENSES

The breakdown of this balance in the 2017 and 2016 by nature is as follows:

	Thousands of euros	
	2017	2016
Rent and royalties	340,151	222,724
Professional services	154,147	88,082
Insurance	38,223	12,522
Communications, security and advertising	61,328	35,808
Utilities	22,998	3,706
Travel Expenses	85,129	72,615
Training and staff development	16,686	16,328
Other services	123,646	8,253
Taxes and other	39,535	2,494
Total	881,843	462,532

At September 30, 2017, the future minimum lease payments under non-cancellable operating leases arranged by SIEMENS GAMESA amount approximately to EUR 659 million (EUR 548 million at December 31, 2016). The due dates for the operating lease instalments that cannot be cancelled are as follows:

As at 09.30.2017	Thousands of euros		
	2018	2019-2022	2023 Onwards
Operating lease instalments that cannot be cancelled	91,411	218,913	349,097

As at 12.31.2016	Thousands of euros		
	2017	2018-2021	2022 onwards
Operating lease instalments that cannot be cancelled	69,845	145,709	332,423

The most significant leasing agreements are related with different offices, both in Spain and in the different places where the company develops its activity, as well as industrial units for the production of components such as nacelles or rotors and for several warehousing.

E. DEPRECIATION AND AMORTIZATION CHARGE AND PROVISIONS

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss by nature is as follows:

	Thousands of euros	
	2017	2016
Property, plant and equipment depreciation charge (Note 11)	188,768	143,533
Intangible asset amortization charge (Note 10)	249,536	17,899
Depreciation and amortization	438,304	161,432
Change in operating provisions for warranties and others (Note 23) (*)	332,350	474,938
Change in write-downs of inventories (Note 15) (*)	98,996	680
Change in other trade provisions (Note 16)	7,657	4,745
Provisions	439,003	480,363
Depreciation and provisions	877,307	641,795

(*) Included under the caption "procurements".

F. OTHER FINANCIAL INCOME (EXPENSES), NET

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

	Thousands of euros	
	2017	2016
Profits (loss) from available-for-sale assets (Note 14.A)	12	2
Other finance and similar income / (loss)	(1,467)	2,339
Total	(1,455)	2,341

G. INTEREST INCOME

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

	Thousands of euros	
	2017	2016
Interest income from cash in banks and receivables from third parties	4,880	11
Other interest income / (loss)	4,509	(684)
Total	9,389	(673)

H. INTEREST EXPENSES

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

	Thousands of euros	
	2017	2016
Interest expenses from liabilities to third parties	20,599	1,018
Other interest expenses	10,738	4,794
Total	31,337	5,812

31. Directors' remuneration

In 2017, the Directors of SIEMENS GAMESA Board earned fixed and variable salaries, attendance allowances, and other items amounting to approximately EUR 5,378 thousands. The compensation for the Directors covers the period from the Merger effective date April 3, 2017 until September 30, 2017. The breakdown is as follows:

Thousands of euros	2017
Members of the Board of Directors	
Type of remuneration	
Fixed compensation	1,065
Annual variable compensation	1,078
Long-term variable compensation	-
Attendance allowances	240
	2,383
Others	2,995
Total	5,378

Siemens Wind Power had no equivalent Board of Directors before the Merger with GAMESA. The remuneration of the prior year is not comparable and therefore not disclosed.

The concept of Others at September 30, 2017 corresponds to (i) the amount of the premiums paid for the coverage of death and disability insurances amounting to EUR 10 thousands; (ii) the allocation of the Group insurance for executives, directors and other employees in amount of EUR 20 thousands; and (iii) contract termination costs in amount of EUR 2,965 thousands.

No advances or loans were granted to current or former Board members and there are no pension obligations to them. Additionally the CEO is entitled to join a supplementary pension scheme, which will be formalised in the coming months. On the other hand, he has been awarded share plans granting rights over shares of Siemens AG as of September 30, 2017, being the cost born by Siemens AG.

The Directors' remuneration disclosed above does not include the provision of the 2016-17 incentive which the former GAMESA Chairman and CEO is beneficiary for the total estimated maximum amount of EUR 942 thousands. This remuneration, once the measurement of the objectives is made by the governing bodies, will be effective according to the rules of this incentive, which in general establish that will be paid during the next 2 years. In addition, the remuneration above neither include the 50% of the non-competence clause for which the former GAMESA Chairman and CEO is beneficiary in an amount of EUR 331 thousands.

Finally, the current CEO has a contractual agreement to receive financial compensation in the event of termination for reasons attributable to the Company. The financial compensation agreed for such termination consists of the payment of a compensation up to a maximum of his annual fixed cash compensation according to the new Board members remuneration policy approved in the General Shareholders meeting of June 20, 2017.

At September 30, 2017 the members of the Board of Directors of Siemens Gamesa Renewable Energy, 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
Tacke, Markus	Siemens AG	Industrial, health, energy, and infrastructure sector	10,195	-
Sen, Michael	Siemens AG (1)	Industrial, Health, Power & Utilities and Infrastructure Sectors	12,904	Member of the Managing Board
Von Schumann, Mariel	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	8,852	Chief of Staff Governance and Markets Director
Rubio Reinoso, Sonsoles	Iberdrola S.A.	Power & Utilities	24,811	Internal Audit Director
García García, Rosa María	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	5,451	President and CEO of Siemens, S.A. and President of Siemens Holding, S.L.U.
Thomas, Ralf	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	16,241	Member of the Managing Board and CFO
Villalba Sánchez, Francisco Javier	Iberdrola S.A. (2)	Power & Utilities	-	-
Codes Calatrava, Gerardo	Iberdrola S.A. (3)	Power & Utilities	-	Director of Global Regulation Legal Services and Corporate Affairs of the Iberdrola Group
Ciarsolo Arregui, Juan Luis	Iberdrola, S.A. (4)	Power & Utilities	30,284,584	-
Helmrich, Klaus	Siemens AG (5)	Industrial, Health, Power & Utilities and Infrastructure Sectors	19,601	Member of the Managing Board
Rosenfeld, Klaus	Schaeffler AG	Automotive and Industrial Sector	-	CEO
Davis, Lisa	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	-	Member of the Managing Board

(1) On March 31, 2017, Mr. Michael Sen has left his charge as CFO of EON SE, and since April 2017 is member of the Board of Directors of Siemens AG.

(2) Mr. Francisco Javier Villalba Sánchez, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on March 29, 2017.

(3) Mr. Gerardo Codes Calatrava, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on April 3, 2017.

- (4) Mr. Juan Luis Ciarsolo Arregui, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on April 3, 2017.
- (5) Mr. Klaus Helmrich, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on May 8, 2017.

The members of the Board of Directors were affected by the following conflicts of interest in 2017:

Sen, Michael. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG 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 June 20, July 26, September 27, and September 29, 2017.

Von Schumann, Mariel. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG 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 April 28, June 20, July 26, September 27, and September 29, 2017.

Rubio Reinoso, Sonsoles. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, 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 26 and September 13, 2017.

Garcia Garcia, María Rosa. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG 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 April 28, June 20, July 26, September 27, and September 29, 2017.

Thomas, Ralf. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG 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 April 28, June 20, July 26, September 27, and September 29, 2017.

Helmrich, Klaus. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meeting held on April 28, 2017.

Rosenfeld, Klaus. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Schaeffler AG, where he is the CEO, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 26 and September 13, 2017.

Davis, Lisa. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG 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 April 28, June 20, July 26, September 27, and September 29, 2017.

32. Remuneration of Senior Management

Excluding those who are simultaneously members of the Board of Directors (whose remuneration is detailed in the Note 31), the compensation paid or payable to members of Senior Management for past employment services is set out in the following table:

Thousands of euros	2017
Salaries and other short-term compensation	4,959
Total	4,959

Siemens Wind Power as acquirer of GAMESA had a different management structure in the previous year. The remuneration of Senior Management is therefore not comparable. The compensation to members of senior management for 2017 is disclosed only and covers the period from the Merger effectiveness date (April 3, 2017).

The remuneration of Senior Management disclosed above does not include the provision charges recognised for the 2016-17 incentive of which members of the Senior Management are beneficiaries. During the current reporting period, those charges amount to EUR 214 thousands. This remuneration will be effective according to the rules of this incentive, which in general establish that will be paid during the next 2 years, once the measurement have been finished by governing bodies.

Certain senior managers are entitled to join a supplementary pension scheme, which will be formalised in the coming months. On the other hand, certain senior managers have been awarded share plans granting rights over shares of Siemens AG as of September 30, 2017, being the cost born by Siemens AG.

In relation to the Senior Management compensations due to labour early termination relationship, the planned policy agreed by the Company is a payment of a maximum of his/her annual fixed cash compensation at the termination date, without prejudice, in any case of pre-existing conditions and the amount that corresponds when applying the labor rules if greater.

In 2017 and 2016 there were no transactions with senior management other than those carried out in the ordinary course of the business.

33. Related party balances and transactions

All the significant balances 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 parties which were not eliminated in consolidation in 2017 and 2016 is as follows:

2017	Thousands of euros							
	Inven- -tories	Recei- -vables	Other financial assets	Payables	Other financial liabilities	Other current liabilities	Sales and services rendered	Purchases and services received
Siemens AG	-	31,919	-	286,456	-	-	57	388,205
Other Siemens Group entities	-	30,091	-	77,087	-	-	2,166	318,683
Siemens Group	-	62,010	-	363,543	-	-	2,223	706,888
Iberdrola Group	104,256	92,722	-	2,032	-	128,253	392,183	2,842
Windar Renovables	-	28	-	44,072	-	-	69	51,463
VejaMate Offshore Project GmbH	30,291	-	-	-	-	5,883	859,993	-
Galloper Wind Farm Limited	11,271	-	-	182	-	31,061	802,941	-
ZeeEnergie C.V., Amsterdam	-	-	-	-	-	9,848	30,409	-
Buitengaats C.V., Amsterdam	-	-	-	-	-	9,848	30,409	-
OWP Butendiek GmbH & Co. KG	1,825	63	-	-	-	30,767	31,059	-
Others	1,022	25	9,264	2,489	105	7,330	-	10,654
Total	148,665	154,848	9,264	412,318	105	222,990	2,149,286	771,847

2016	Thousands of euros						
	Inventories	Recei- -vables	Payables	Other current liabilities	Sales and services rendered	Purchases and services received	
Siemens AG	-	547,886	16,761	-	411	307,563	
Other Siemens Group entities	-	594,980	93,457	-	1,706	566,127	
Siemens Group	-	1,142,866	110,218	-	2,117	873,690	
VejaMate Offshore Project GmbH	146,773	-	-	91,474	421,323	-	
Galloper Wind Farm Limited	3,840	-	-	115,887	10,277	-	
ZeeEnergie C.V., Amsterdam	3,767	-	-	10,540	726,383	-	
Buitengaats C.V., Amsterdam	3,767	-	-	10,540	726,383	-	
Others	10,096	771	-	31,993	19,263	-	
Total	168,243	1,143,637	110,218	260,434	1,905,746	873,690	

All transactions with related parties were carried out under market conditions.

A. TRANSACTIONS WITH SIEMENS GROUP

Goods and services purchased

On June 17, 2016, effective April 3, 2017, SIEMENS GAMESA Renewable Energy, S.A. (then “Gamesa Corporación Tecnológica, S.A.”) and Siemens Aktiengesellschaft (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to SIEMENS GAMESA. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of SIEMENS GAMESA Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although the strategic supply contract will have a minimum duration of at least three (3) years (i.e., until April 3, 2020). The award system warrants that the supplies will be carried out under market conditions, as well as the involvement of and access to other suppliers.

On March 31, 2017, SIEMENS GAMESA Renewable Energy, S.A. (at that time, “Gamesa Corporación Tecnológica, S.A.”), and Siemens Aktiengesellschaft (Siemens) entered into a licensing agreement by virtue of which SIEMENS GAMESA is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of SIEMENS GAMESA Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Accordingly, in the event of change of control, license would expire subject to certain transition periods to discontinue the use of the name and trademark SIEMENS.

Dated on April 28, 2017 Gamesa Corporación Tecnológica, S.A. and Siemens Aktiengesellschaft signed a framework agreement over certain information rights and obligations and related matters concerning the relationship between the parties and certain principles governing the rendering of services between the SIEMENS GAMESA Group and the Siemens Group, as the main shareholder of SIEMENS GAMESA.

By virtue of certain agreements reached as a result of the Merger between SIEMENS GAMESA Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain warranties with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Finally, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party’s competitor.

During the reporting period, the SIEMENS GAMESA Group has purchased supplies for the construction of Wind Turbines from Siemens Group, mainly from the Siemens “Process Industries and Drives” and “Energy Management” Divisions. In addition, Siemens Group has provided services to SIEMENS GAMESA Group based on transitional service agreements such as tax, human resources, legal and treasury services.

Warranties provided by Siemens Group

As at September 30, 2017, Siemens Group has provided warranties to third parties for the performance of the SIEMENS GAMESA Group amounting to EUR 20,850 million (December 31, 2016: EUR 19,034 million).

Share-based payments

Certain employees of the SIEMENS GAMESA Group that have transferred from other Siemens entities participate in share-based payment awards implemented by Siemens AG. Siemens AG delivers the respective shares on behalf of SIEMENS GAMESA. Due to the limited extent of participation in the share-based programs, the effect on the Financial Information was not significant in the years presented.

Hedging

The Group's hedging activities are partially performed via Siemens AG and Siemens Capital Company LLC on an arm's length basis. The consideration is based on the normal market rates. The related receivables and payables are disclosed in the lines "Other (current) financial assets and liabilities".

Insurance programme

At the end of September 2017, SIEMENS GAMESA, as a company member of the Siemens Group, has adhered, with an effective date from October 1, 2017, to the Siemens Group insurance program, which includes all-risk property damages insurance policies, civil liability insurance policies, transport, chartering of ships and all-risk construction insurance policies. If SIEMENS GAMESA lost its status as a company member of Siemens AG Group, it would lose its right to adhere the aforementioned insurance program.

B. AGREEMENTS RELATING TO THE WIND TURBINE AND OPERATIONS AND MAINTENANCE SEGMENTS

The SIEMENS GAMESA Group, through its subsidiary Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal) and Iberdrola, S.A., concluded on December 21, 2011 a framework agreement relating to the supply and maintenance of wind turbines. Under that framework agreement, the SIEMENS 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 MW, 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.

- SIEMENS GAMESA and Iberdrola, S.A. will closely collaborate with new opportunities relating to the offshore wind business.
- SIEMENS GAMESA and Iberdrola, S.A. will collaborate within the area of maintenance services so that Siemens Gamesa Renewable Energy 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 SIEMENS 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 teams of SIEMENS 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, SIEMENS GAMESA and Iberdrola 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 was signed extending it by additional 612 MW for the 2 MW platform. Moreover, for different companies in the Iberdrola Group an additional 795 MW was negotiated.

C. AGREEMENTS BETWEEN THE SIEMENS GAMESA GROUP AND WINDAR RENOVABLES, S.L.

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

34. Earnings per share

At September 30, 2017 the average number of ordinary shares used for the calculation of earnings per share is 584,901,456 (Note 19.A) (401,874,595 average number of ordinary shares at December 31, 2016), given that SIEMENS GAMESA has held an average of 1,106,405 treasury shares (0 at December, 2016) (Note 19.E).

The number of ordinary shares in 2016 and until the Merger effective date April 3, 2017 is 401,874,595 shares. The calculation is based on the ordinary shares of the acquirer multiplied by the exchange ratio of 59% established in the Merger agreement. From April 3, 2017, shares are 681,143,382 before the consideration of treasury shares.

The basic earnings per share from continuing operations attributable to the Parent company at September 30, 2017 and December 31, 2016 were as follows:

	09.30.2017	12.31.2016
Net profit from continuing operations attributable to the Parent Company (thousands of euros)	(15,207)	442,903
Average number of outstanding shares	584,901,456	401,874,595
Total basic earnings per share (euros)	(0.03)	1.10

At September 30, 2017 and December 31, 2016, SIEMENS GAMESA, the Parent Company of the SIEMENS 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.

35. Other information

A) INFORMATION REGARDING THE DEFERRAL OF PAYMENTS MADE TO SUPPLIERS

In accordance with the requirement of the Resolution of January 29, 2016 of the Accounting and Audit Institute in Spain, about the information to include in the notes to the Financial Statements related to the deferral of payments made to suppliers in commercial operations.

The average payment period to suppliers in the year 2017 and 2016 was the following:

Days	2017	2016
Average payment period	46	31
Settled operations ratio	44	35
Pending operations ratio	58	30

Thousands of euros	Amount	
	2017	2016
Total settled payments	534,246	423
Total pending payments	75,139	94

This average payment period is referred to the suppliers of the Spanish companies of the consolidated scope that by its nature are trade payables for the supply of goods and services, so it is included in the figures related to "Trade and other payables" and "Trade and other payables to related companies" in the liabilities of the accompanying Consolidated Balance Sheet.

36. Fees paid to auditors

In 2017 and 2016 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:

Year 2017	Thousands of euros	
	Services rendered by EY	Services provided by other audit firms
Audit services	4,498	14
Other attest services	1,290	-
Total audit and related services	5,788	14
Tax advisory services	-	-
Other services	-	-
Total services other companies in the network	-	-
Total professional services	5,788	14

Year 2016	Thousands of euros	
	Services rendered by EY	Services provided by other audit firms
Audit services	297	-
Other attest services	39	-
Total audit and related services	336	-
Tax advisory services	-	-
Other services	-	-
Total services other companies in the network	-	-
Total professional services	336	-

The above table does not include those services provided to the former Gamesa Group from the period of January 1, 2017 to April 2, 2017 for an amount of EUR 301 thousands (EUR 290 thousands relates to audit related services and EUR 11 thousands relates to tax services) of which EUR 290 thousands relates to the holding company (EUR 290 thousands relates to audit related services).

Of the amount relating to the services rendered by the principal auditor, EUR 1.220 thousands relate to audit services provided to SIEMENS GAMESA (EUR 20 thousands in 2016). Likewise, taking into account the corresponding amount related to other attest services provided by the principal auditor, EUR 8 thousands correspond to SIEMENS GAMESA (EUR 0 in 2016).

37. Subsequent events

There are no significant subsequent events, except for the November 2017 announcement of further capacity adjustment measures to address changing market conditions, with no impact on the accompanying Consolidated Financial Statements.

38. Explanation added for translation to English

These 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	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
A) FORMER SIEMENS WIND POWER BUSINESS COMPANIES - FULLY CONSOLIDATED			
Siemens Gamesa Renewable Energy A/S	Production/distributing company	Denmark	100%
Siemens Wind Power Blades (Shanghai) Co., Ltd.	Production/distributing company	China	100%
Siemens Wind Power Blades, SARL AU	Production/distributing company	Morocco	100%
Siemens Gamesa Renewable Pty Ltd	Service and distribution company	Australia	100%
Siemens Wind Power GmbH	Service and distribution company	Austria	100%
Siemens Wind Power BVBA	Service and distribution company	Belgium	100%
Siemens Wind Power Energia Eólica Ltda.	Service and distribution company	Brazil	100%
Siemens Gamesa Renewable Energy Limited	Production/distributing company	Canada	100%
Siemens Wind Power SpA	Service and distribution company	Chile	100%
Siemens Gamesa Renewable Energy d.o.o.	Service and distribution company	Croatia	100%
Siemens Gamesa Renewable Energy S.A.S.	Service and distribution company	France	100%
Siemens Wind Power GmbH & Co. KG	Production/distributing company	Germany	100%
Siemens Wind Power Kft.	Service and distribution company	Hungary	100%
Siemens Wind Power Limited	Service and distribution company	Ireland	100%
Siemens Wind Power S.r.l.	Service and distribution company	Italy	100%
Siemens Wind Power B.V.	Service and distribution company	Netherlands	100%
Siemens Gamesa Renewable Energy AS	Service and distribution company	Norway	100%
Siemens Wind Power Sociedad Anonima Cerrada	Service and distribution company	Peru	100%
Siemens Wind Power, Inc.	Service and distribution company	Philippines	100%
Siemens Wind Power Sp. z o.o.	Service and distribution company	Poland	100%
SIEMENS WIND POWER (PTY) LTD	Service and distribution company	South Africa	70%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Republic of Korea	100%
Siemens Wind Power, S.L.	Service and distribution company	Spain	100%
Siemens Wind Power AB	Service and distribution company	Sweden	100%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Thailand	100%
Siemens Wind Power Rüzgar Enerjisi Anonim Sirketi	Service and distribution company	Turkey	100%
Siemens Gamesa Renewable Energy Limited	Production/distributing company	United Kingdom	100%
Siemens Wind Power Inc.	Production/distributing company	United States	100%
Siemens Wind Power Private Limited	Service and distribution company	India	100%
Siemens Wind Energy, SARL	Service and distribution company	Morocco	100%
Siemens Wind Power Management GmbH	Other	Germany	100%
Siemens Wind Power LLC	Service and distribution company	Egypt	100%
B) FORMER GAMESA COMPANIES - FULLY CONSOLIDATED			
Diversified Energy Transmissions, LLC	Development and distribution company	United States	100%
GM Navarra Wind Energy Pvt Ltd, Chennai	Development and distribution company	India	100%
Kadapa Wind Farms Pvt. Ltd., Chennai	Development and distribution company	India	100%
Kurnool Wind Farms Pvt Ltd, Chennai	Development and distribution company	India	100%
RSR Power Pvt Ltd, Chennai	Development and distribution company	India	100%
Rajgarh Wind Park Private Pvt Ltd, Chennai	Development and distribution company	India	100%
Anantapur Wind Farms Pvt Ltd, Chennai	Development and distribution company	India	100%
Gamesa Wind Tianjin Co., Ltd.	Development and distribution company	China	100%
Gamesa (Beijing) Wind Energy System Development Co, Ltd	Development and distribution company	China	100%
Gamesa Blade Tianjin Co., Ltd.	Development and distribution company	China	100%
Jilin Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Inner Mongolia Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Siemens Gamesa Renewable Finance, S.A.	Finance company	Spain	100%
Gamesa Wind GmbH	Holding company	Germany	100%
International Wind Farm Development IV Limited	Holding company	Hong Kong	100%
Adwen GmbH	Holding company	Germany	100%
Gamesa Wind US, LLC	Holding company	United States	100%
International Wind Farm Development V Limited	Holding company	Hong Kong	100%
Siemens Gamesa Renewable Energy Eólica, S.L.	Holding company	Spain	100%
International Wind Farm Development I Limited	Holding company	Hong Kong	100%
International Wind Farm Development II Limited	Holding company	Hong Kong	100%
International Wind Farm Development VII Limited	Holding company	Hong Kong	100%
Gerr Grupo Energético XXI, S.A. Unipersonal	Holding company	Spain	100%
Navitas Energy Inc	Holding company	United States	97%
Siemens Gamesa Renewable Energy Europa S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Wind Farms, S.A.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Wind Limited	Holding company	United Kingdom	100%
Adwen Offshore, S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy 9REN, S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Invest, S.A.	Holding company	Spain	100%
Siemens Gamesa Renewable Private Limited	Holding company	India	100%
Gamesa Wind Sweden AB	Holding company	Sweden	100%
Siemens Gamesa Renewable Energy Latam, S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Apac, S.L.	Holding company	Spain	100%
Gamesa Technology Corporation, INC	Holding company	United States	100%
Jalore Wind Park Private Limited, Chennai	Other	India	100%
Bidwal Renewable Private Limited, Chennai	Other	India	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Mathak Wind Farms Private Limited, Chennai	Other	India	100%
Tirupur Renewable Pvt Ltd, Chennai	Other	India	100%
Sanchore Renewable Private Limited, Chennai	Other	India	100%
Beed Renewable Energy Private Limited, Chennai	Other	India	100%
Tuljapur Wind Farms Private Limited, Chennai	Other	India	100%
Rangareddy Renewable Pvt Ltd	Other	India	100%
Nellore Renewable Pvt Ltd	Other	India	100%
Gadag Renewable Private Limited, Chennai	Other	India	100%
Channapura Renewable Private Limited, Chennai	Other	India	100%
Kutch Renewable Pvt Ltd	Other	India	100%
Uppal Renewable Pvt. Ltd., Chennai	Other	India	100%
Gudadanal Renewable Private Limited	Other	India	100%
Haveri Renewable Private Limited	Other	India	100%
Nirlooti Renewable Private Limited	Other	India	100%
Neelagund Renewable Private Limited	Other	India	100%
Hungund Renewable Private Limited	Other	India	100%
Saunshi Renewable Private Limited	Other	India	100%
Chikkodi Renewable Private Limited	Other	India	100%
Umrani Renewable Private Limited	Other	India	100%
Zalki Renewable Private Limited	Other	India	100%
Hattarwat Renewable Private Limited	Other	India	100%
Gamesa Wind PA, LLC	Other	United States	100%
Siemens Gamesa Renewable Energy International Wind Services, S.A.	Other	Spain	100%
Parques Eólicos del Caribe, S.A.	Other	Dominican Republic	57%
Convertidor Solar Doscientos Noventa y Nueve, S.L.U.	Other	Spain	100%
Convertidor Solar Doscientos Noventa y Siete, S.L.U.	Other	Spain	100%
SEPE de Source de Seves SARL	Other	France	100%
Devarabanda Renewable Energy Pvt. Ltd.	Other	India	100%
Ghatpimri Renewable Pvt. Ltd.	Other	India	100%
Poovani Wind Farms Pvt. Ltd.	Other	India	100%
Kod Renewable Pvt. Ltd.	Other	India	100%
VIRALIPATTI RENEWABLE Pvt. Ltd.	Other	India	100%
Gagodar Renewable energy Pvt. Ltd.	Other	India	100%
Thoothukudi Renewable Pvt Ltd, Chennai	Other	India	100%
Latur Renewable Private Limited, Chennai	Other	India	100%
Sankarur Renewable Pvt Ltd, Chennai	Other	India	100%
Osmanabad Renewable Pvt Ltd, Chennai	Other	India	100%
Pugalur Renewable Pvt Ltd, Chennai	Other	India	100%
Dhone Renewable Private Limited, Chennai	Other	India	100%
Bhuj Renewable Private Limited, Chennai	Other	India	100%
Bapuram Renewable Private Limited, Chennai	Other	India	100%
Koppal Renewable Pvt Ltd, Chennai	Other	India	100%
Jodhpur Renewable Pvt Ltd, Chennai	Other	India	100%
Adwen Blades GmbH	Production and distributing company	Germany	100%
AD BMW GmbH & Co. KG	Production and distributing company	Germany	100%
Adwen Verwaltungs GmbH	Production and distributing company	Germany	100%
Estructuras Metalicas Singulares, S.A. Unipersonal	Production and distributing company	Spain	100%
Adwen France SAS	Production and distributing company	France	100%
Gamesa Energy Transmission, S.A. Unipersonal	Production company	Spain	100%
Pocahontas Wind, LLC	Production company	United States	100%
Gamesa Electric, S.A. Unipersonal	Production company	Spain	100%
EBV Holding Verwaltung GmbH	Project company	Germany	100%
Windfarm Groß Haßlow GmbH	Project company	Germany	100%
Gamesa Energie Deutschland GmbH	Project company	Germany	100%
Windfarm Ringstedt II GmbH	Project company	Germany	100%
Windfarm 35 GmbH	Project company	Germany	100%
Windfarm 40 GmbH	Project company	Germany	100%
Windfarm Ganderkesee-Lemwerder GmbH	Project company	Germany	100%
Windfarm 33 GmbH	Project company	Germany	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L.U.	Project company	Spain	100%
Windfarm 41 GmbH	Project company	Germany	100%
Sistemas Energéticos de Tarifa, S.L. Unipersonal	Project company	Spain	100%
International Wind Farm Development V, S.L.	Project company	Spain	100%
Sistemas Energéticos La Cámara, S.L.	Project company	Spain	100%
Sistemas Energéticos Finca San Juan, S.L.U.	Project company	Spain	100%
Sistemas Energeticos Islas Canarias, S.L.U.	Project company	Spain	100%
International Wind Farm Development IV, S.L.	Project company	Spain	100%
International Wind Farm Development VI, S.L.	Project company	Spain	100%
International Wind Farm Development VII, S.L.	Project company	Spain	100%
SEPE de Mantoche SARL	Project company	France	100%
Sistemas Energéticos La Plana, S.A.	Project company	Spain	90%
Sistemas Energéticos del Sur S.A.	Project company	Spain	70%
SEPE de Pouilly-sur-Vingeanne SARL	Project company	France	100%
Sistemas Energéticos Monte Genaro, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos del Umia, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Project company	Spain	100%
SEPE de Vernierfontaine SARL	Project company	France	100%
SEPE de Songy SARL	Project company	France	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Eoliki Peloponnisou Lakka Energiaki S.A.	Project company	Greece	86%
SEPE de Sommesous SARL	Project company	France	100%
Sistemas Energéticos Cuedra Gitana, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Campoliva, S.A. Unipersonal	Project company	Spain	100%
SEPE de Cernon SARL	Project company	France	100%
SEPE de Broys SARL	Project company	France	100%
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Cunitis, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Tomillo, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Edreira, S.A. Unipersonal	Project company	Spain	100%
SEPE de Saint Bon SARL	Project company	France	100%
Sistemas Energéticos Tablero Taborado, S.L.	Project company	Spain	100%
Sistemas Energéticos Carril, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Fonseca, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Argañoso, S.L. Unipersonal	Project company	Spain	100%
SEPE de Champsevrairie, SARL	Project company	France	100%
International Wind Farm Developments IX, S.L.	Project company	Spain	100%
Lindom Vindenergi AB	Project company	Sweden	100%
Sistemas Energéticos Serra de Lourenza, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy UK Limited	Project company	United Kingdom	100%
SEPE de Margny SARL	Project company	France	100%
Bargrennan Renewable Energy Park Limited	Project company	United Kingdom	100%
Siemens Gamesa Renewable Energy AE	Project company	Greece	100%
Sistemas Energéticos Mansilla, S.L.	Project company	Spain	78%
Parque Eólico Dos Picos, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Sierra del Carazo, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Project company	Spain	100%
SEPE de Romigny SARL	Project company	France	100%
Glenouther Renewables Energy Park Limited	Project company	United Kingdom	100%
International Wind Farm Developments II, S.L.	Project company	Spain	100%
Gesa Eólica Mexico, S.A. de C.V.	Project company	Mexico	100%
Energiaki Arvanikou M.E.P.E.	Project company	Greece	100%
Sistemas Energéticos Barandon, S.A.	Project company	Spain	100%
Gamesa Eolica France, S.A.R.L., Saint Priest	Project company	France	100%
Sistemas Energéticos Balazote, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Jaralón, S.A. Unipersonal	Project company	Spain	100%
Sellafrith Renewable Energy Park Limited	Project company	United Kingdom	100%
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Project company	Spain	100%
SEPE de Saint-Lumier en Champagne SARL	Project company	France	100%
SEPE de Saint Amand SARL	Project company	France	100%
SEPE de Landresse SARL	Project company	France	100%
Convertidor Solar Trescientos Veinte, S.L.U.	Project company	Spain	100%
Convertidor Solar G.F. Uno S.L.U., Madrid	Project company	Spain	100%
Gesacisa Desarrolladora, S.A. de C.V.	Project company	Mexico	100%
SEPE de Clamanges SARL	Project company	France	100%
Convertidor Solar Trescientos Setenta, S.L.U.	Project company	Spain	100%
Convertidor Solar Uno, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Arinaga, S.A. Unipersonal	Project company	Spain	100%
SEPE de Mailly-le-Camp SARL	Project company	France	100%
Smardzewo Windfarm Sp. z o.o.	Project company	Poland	100%
Osiek Sp. z o.o.	Project company	Poland	100%
Sistemas Energéticos Alcohujate, S.A. Unipersonal	Project company	Spain	100%
Adwen UK Limited	Project company	United Kingdom	100%
Sistemas Energéticos El Valle, S.L.	Project company	Spain	100%
SEPE de la Brie des Etangs SARL	Project company	France	100%
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Boyal, S.L.	Project company	Spain	60%
Sistemas Energéticos Alto da Croa, S.A. Unipersonal	Project company	Spain	100%
Lingbo SPW AB	Project company	Sweden	100%
Lichnowy Windfarm Sp. z o.o.	Project company	Poland	100%
Elliniki Eoliki Attikis Energiaki S.A.	Project company	Greece	86%
GESA Energia, S. De R.L. de C.V.	Project company	Mexico	100%
SEPE de Souvans SARL	Project company	France	100%
Convertidor Solar G.F. Dos, S.L.U.	Project company	Spain	100%
SEPE de Plancy l'Abbaye SARL	Project company	France	100%
Ujazd Sp. z o.o.	Project company	Poland	100%
SEPE de Pringy SARL	Project company	France	100%
Elliniki Eoliki Kseropousi S.A.	Project company	Greece	86%
Elliniki Eoliki Likourdi S.A.	Project company	Greece	86%
Siemens Gamesa Renewable Energy France SAS	Project company	France	100%
Elliniki Eoliki Kopriseza S.A.	Project company	Greece	86%
Gesan México 1 S.A.P.I de C.V.	Project company	Mexico	100%
SEPE de Chaintrix Bierges SARL	Project company	France	100%
SEPE de Soude SARL	Project company	France	100%
Elliniki Eoliki Energiaki Pirgos S.A.	Project company	Greece	86%
SEPE de Bouclans SARL	Project company	France	100%
SEPE de Savoisy SARL	Project company	France	100%
SEPE de Longueville sur Aube SARL	Project company	France	100%
SEPE de Coupetz SARL	Project company	France	100%
Gamesa Energia Polska Sp. z o.o.	Project company	Poland	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
SEPE de la Loye SARL	Project company	France	100%
SEPE de Trepot SARL	Project company	France	100%
CENtral Eólica de México I S.A. de C.V.	Project company	Mexico	100%
SEPE de Sambourg SARL	Project company	France	100%
Gamesa Energia (Portugal), S. A.	Project company	Portugal	100%
SEPE de Sceaux SARL, Saint Priest	Project company	France	100%
SEPE de Guerfand SARL	Project company	France	100%
SEPE de Vaudrey SARL	Project company	France	100%
SEPE d'Orchamps SARL	Project company	France	100%
Convertidor Solar Trescientos Diecisiete, S.L.U.	Project company	Spain	100%
SEPE de la Cote du Cerisat SAS	Project company	France	100%
Convertidor Solar Trescientos Dieciocho, S.L.U.	Project company	Spain	100%
SEPE du Vireaux SAS	Project company	France	100%
SEPE de Dampierre Prudemanche SAS	Project company	France	100%
SEPE de Orge et Ormain SARL	Project company	France	100%
Parco Eolico Manca Bernarda S.r.l.	Project company	Italy	100%
SEPE de Germainville SAS	Project company	France	100%
SEPE de Moulins du Puits SAS	Project company	France	100%
Parco Eolico Banzy S.r.l.	Project company	Italy	100%
Convertidor Solar Ciento Veintisiete, S.L.U.	Project company	Spain	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	Project company	China	100%
SEPE de Bonboillon SARL	Project company	France	100%
SEPE de Saint Loup de Saintonge SAS	Project company	France	100%
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Project company	Spain	83%
Ajaraque Solar, S.L.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Siete, S.L.U.	Project company	Spain	100%
Convertidor Solar G.F. Tres, S.L.U.	Project company	Spain	100%
SEPE de la Tete des Boucs SARL	Project company	France	100%
SEPE de Chepniers SARL	Project company	France	100%
Fanbyn2 Vindenergi AB	Project company	Sweden	100%
Convertidor Solar Trescientos, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Diecinueve, S.L.U.	Project company	Spain	100%
Siemens Gamesa Renewable Energy Innovation & Technology, S.L.	Research and development company	Spain	100%
Siemens Gamesa Energia Renovável Ltda.	Service and distribution company	Brazil	100%
Gamesa Canada ULC	Service company	Canada	100%
Gamesa Japan K.K.	Service company	Japan	100%
Gamesa Singapore Private Limited	Service company	Singapore	100%
Servicios Eólicos Globales S. de R.L. de C.V.	Service company	Mexico	100%
Gamesa Ukraine, LLC	Service company	Ukraine	100%
Gamesa Eólica Costa Rica, S.R.L.	Service company	Costa Rica	100%
GESA Eólica Honduras, S.A.	Service company	Honduras	100%
Siemens Gamesa Renewable Energy B9 Limited	Service company	United Kingdom	100%
Siemens Gamesa Renewable Energy Limited Liability Company	Service company	Azerbaijan	100%
Gamesa Wind Bulgaria, EOOD	Service company	Bulgaria	100%
Siemens Gamesa Megújuló Energia Hungary Kft	Service company	Hungary	100%
GER Baneasa, S.R.L.	Service company	Romania	100%
Gamesa Wind Romania, S.R.L.	Service company	Romania	100%
Gamesa Dominicana, S.A.S.	Service company	Dominican Republic	100%
Gamesa Energy Romania, S.R.L.	Service company	Romania	100%
GER Independenta, S.R.L.	Service company	Romania	100%
Gamesa Puerto Rico, CRL	Service company	Puerto Rico	100%
Gamesa Eólica VE, C.A.	Service company	Republic of Venezuela	100%
Gamesa Ireland Limited	Service company	Ireland	100%
Siemens Gamesa Renewable Energy Wind S.R.L.	Service company	Italy	100%
GER Baraganu, S.R.L.	Service company	Romania	100%
Gamesa Eólica Nicaragua S.A.	Service company	Nicaragua	100%
Gamesa Israel, Ltd	Service company	Israel	100%
Siemens Gamesa Renewable Energy New Zealand Limited	Service company	New Zealand	100%
Siemens Gamesa Turkey Renewable Energy Limited Company	Service company	Turkey	100%
Gamesa Morocco, SARL	Service company	Morocco	100%
Siemens Gamesa Renewable Energy Limited	Service company	Kenya	100%
Gamesa (Thailand) Co. Ltd.	Service company	Thailand	100%
Siemens Gamesa Renewable Energy Oy	Service company	Finland	100%
9REN Israel Ltd.	Service company	Israel	100%
Siemens Gamesa Renewable Energy Belgium, SPRL	Service company	Belgium	100%
Gamesa Wind South Africa (Proprietary) Limited	Service company	South Africa	100%
Siemens Gamesa Renewable Energy, Ltd	Service company	Mauritius	100%
Siemens Gamesa Renewable Energy Italy, S.P.A.	Service company	Italy	100%
Siemens Gamesa Renewable Energy Lanka Pvt. Ltd.	Service company	Sri Lanka	100%
Gamesa Chile SpA	Service company	Chile	100%
Gamesa Uruguay S.R.L.	Service company	Uruguay	100%
Siemens Gamesa Renewable Energy Greece E.P.E.	Service company	Greece	100%
Siemens Gamesa Renewable Energy, SARL	Service company	Mauritania	100%
9REN Services Italia S.r.l.	Service company	Italy	100%
Siemens Gamesa Renewable Energy Limited	Service company	Cyprus	100%
Whitehall Wind, LLC	Project company	United States	100%
Cedar Cap Wind, LLC	Project company	United States	100%
Pocahontas Prairie Wind, LLC	Project company	United States	100%
Wind Portfolio Memberco, LLC	Project company	United States	100%
EcoHarmony West Wind, LLC	Project company	United States	100%
Gamesa Australia Pty. Ltd.	Social company	Australia	100%
Siemens Gamesa Renewable Energy Installation & Maintenance, Compañía Limitada	Distribution company	Guatemala	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Gesa Oax I Sociedad Anónima de Capital Variable	Project company	Mexico	100%
Gesa Oax III Sociedad Anónima de Capital Variable	Project company	Mexico	100%
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable	Project company	Mexico	100%
Siemens Gamesa Renewable Energy LLC	Distribution company	Vietnam	100%
Gamesa Pakistan (Private) Limited	Other	Pakistan	100%
C) FORMER GAMESA COMPANIES - ACCOUNTED BY EQUITY METHOD			
Kintech Santalpur Wind Park Pvt Ltd, Chennai	Development and distribution company	India	49%
Windar Renovables, S.L.	Production and distributing company	Spain	32%
Energía Eólica de Mexico S.A. de C.V.	Project company	Mexico	50%
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH	Project company	Germany	50%
Sistemas Electricos Espluga, S.A.	Project company	Spain	50%
Energías Renovables San Adrián de Juarros, S.A.	Project company	Spain	45%
Generación Eólica Extremeña, S.L.	Project company	Spain	30%
Nuevas Estrategias de Mantenimiento, S.L.	Service company	Spain	50%
Baja Wind US LLC	Venture Capital Investment	United States	50%
Energía Renovable del Istmo S.A. de C.V.	Operation of wind farms	Mexico	50%

CARLOS RODRIGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS OF "SIEMENS GAMESA RENEWABLE ENERGY, 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 2017 of SIEMENS GAMESA RENEWABLE ENERGY, S.A., authorised for issue by the Board of Directors at its meeting held on November 30, 2017, is the content of the preceding 81 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear the signature of the President and the Secretary of the Board of Directors on its first sheet and the stamp of the Company in the total remaining sheets.

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

Rosa María García García
Chairwoman

Markus Tacke
CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Lisa Davis
Member of the Board of Directors

Swantje Conrad
Member of the Board of Directors

Klaus Rosenfeld
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

Ralf Thomas
Member of the Board of Directors

Mariel von Schumann
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Michael Sen
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Alberto Alonso Ureba
Member of the Board of Directors

Statement by the Secretary of the Board of Directors to let the record reflect that: (i) Ms. Lisa Davis and Mr. Ralf Thomas do not sign this document as they have not physically attended the meeting of the Board of Directors due to force majeure; that (ii) both have delegated their representation and vote for the items included in the agenda to the director Mr. Michael Sen, and that (iii) Michael Sen, who holds an express authorization conferred for these purposes by the aforementioned directors, has signed this document on their behalf. It is also stated that Mr. Klaus Rosenfeld attends the meeting by telephone and therefore he does not sign this document and that Ms. Swantje Conrad has signed this document on his behalf in virtue of an express authorization conferred for these purposes by Mr. Klaus Rosenfeld.

Madrid, November 30, 2017. In witness whereof

Approval of the Chairwoman

Rosa María García García
Chairwoman

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors