

2016

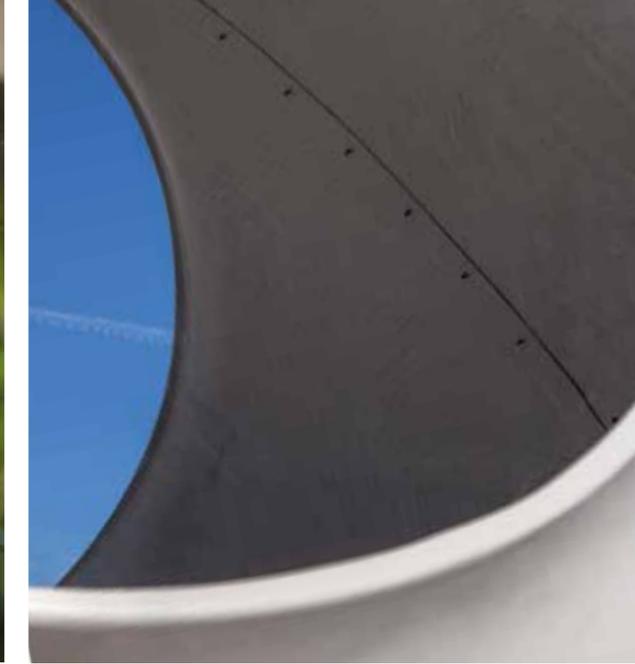
Annual
report



Gamesa
2016

2016

Gamesa
Annual report



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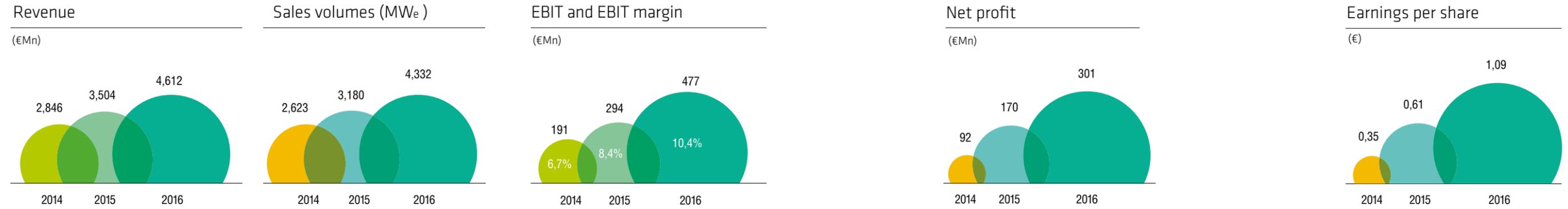
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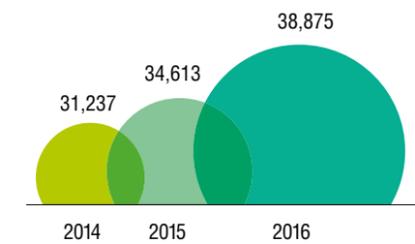
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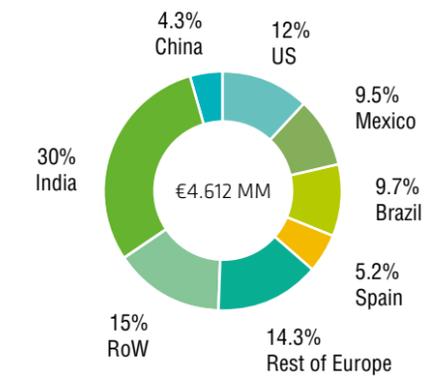
Financial indicators



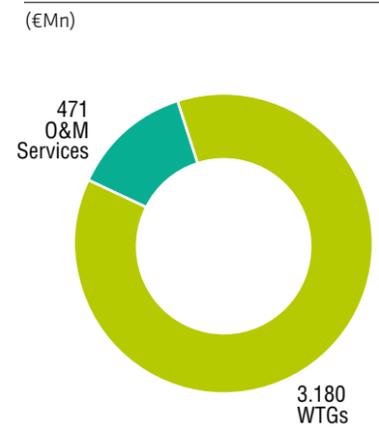
MWe Installed (cumulative)



Geographic sales mix

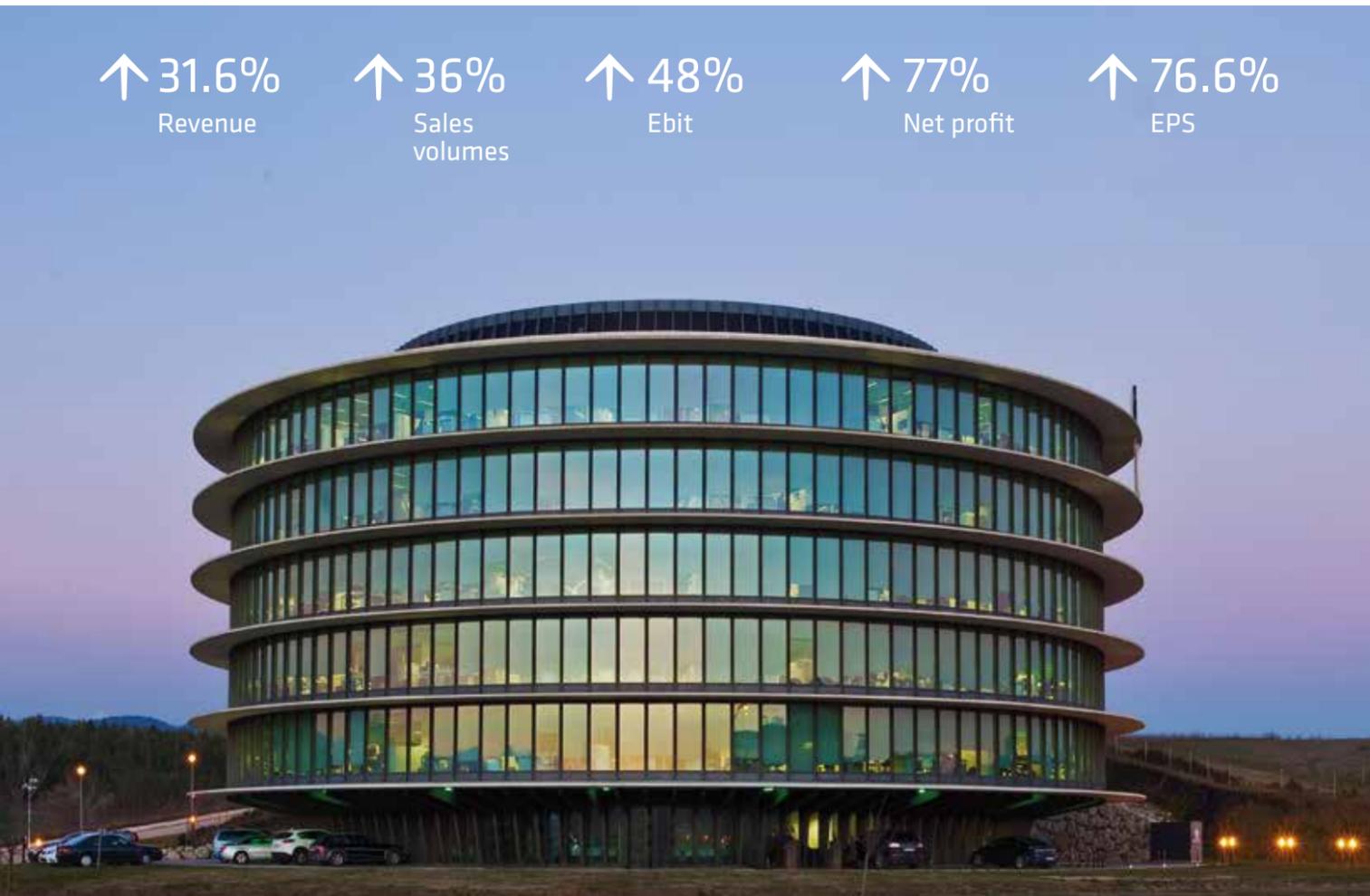


Revenue by business line



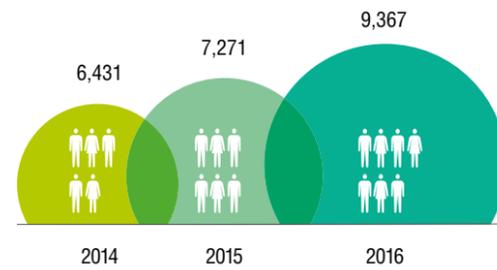
Balance sheet

	2014	2015	2016
Working capital (Mn€)	71	12	-225
Cash (Mn€)	-143	-301	-682
Leverage ratio (ND/EBITDA)	-0,4x	-0,6x	-0,9x

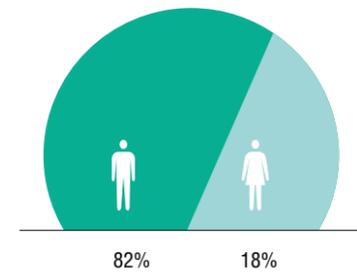


Social indicators

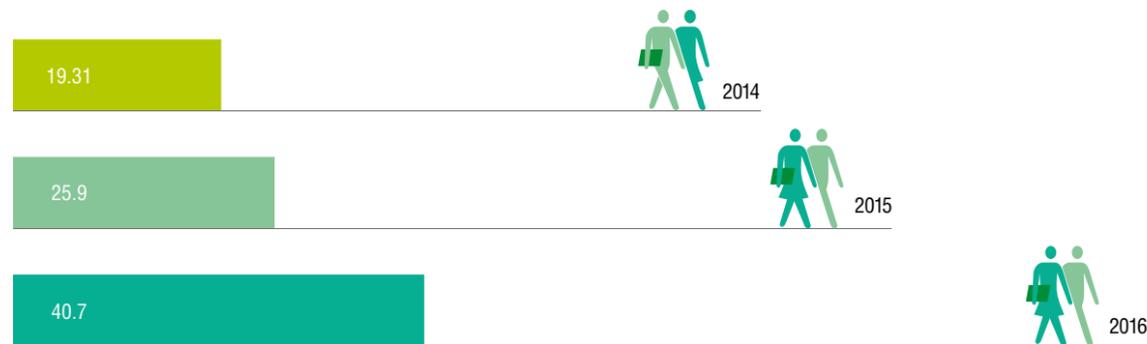
Workforce



Diversity

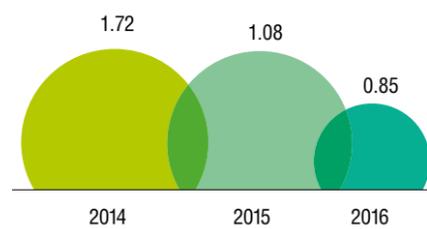


Training hours per employee



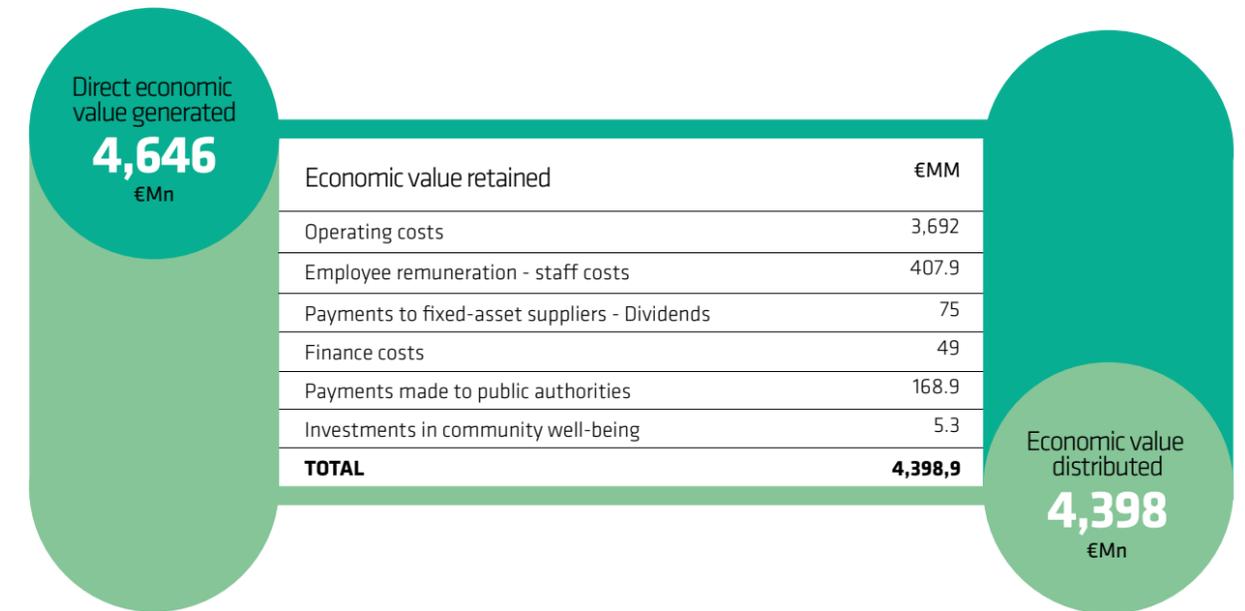
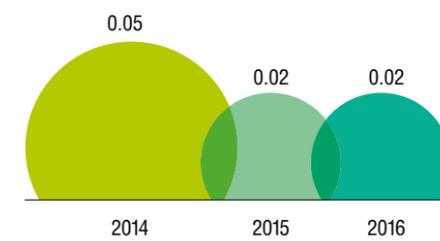
Lost-time injury frequency rate

(N° of lost-time injuries per million hours worked)



Injury severity rate

(N° of days lost per million hours worked)



Environmental indicators

	2016	2015	2014
Raw materials consumed (tonnes)	257,206	149,554	112,044
Power used (TJ)	521	452	308
Water consumed (m³)	159,598	126,358	97,341
Waste generated (tonnes)	19,394	11,552	10,841
Discharges (m³)	127,678	101,087	77,872
Carbon emissions (tonnes of CO ₂)	30,156	36,855	29,879
Carbon emissions avoided (millions of tonnes of CO ₂)	58.31	51.91	46.85
Energy consumption rate (GJ)	113	129	108
Water consumption rate (m³)	35	36	34
Waste generation rate (tonnes)	4,2	3,2	3,8
Discharge generation rate (m³)	28	28	27
Carbon emission rate (tonnes)	7	10	11
Carbon emission avoidance rate	1,384	1,447	1,264

Milestones

2016 will go down as a very important year in the history of Gamesa: not only did it celebrate its fortieth anniversary in the middle of last year, the company announced that it had reached an agreement with Siemens for the merger of their wind power businesses, creating new growth opportunities for the company. Below are the key milestones attained by the company over the course of the year:

<p>January</p>	<p>February</p>	<p>March</p>	<p>April</p>	<p>May</p>
				
<p>Installation of 24 WTGs at an altitude of 3,400m in China</p>	<p>Gamesa celebrates its 40th anniversary</p>	<p>Entry into new markets: maiden orders in Sri Lanka and the Netherlands</p>	<p>First collective bargaining agreement covering office staff in Spain</p>	<p>Inauguration of the first prototype of the company's Offgrid solution in Aragón (Spain)</p>

<p>June</p>	<p>July</p>	<p>September</p>	<p>October</p>	<p>November</p>	<p>December</p>
					
<p>Gamesa and Siemens agree to merge their wind power businesses</p>	<p>Participation by the Gamesa DreamFooters, a team made up of Indian children at risk of social exclusion, in the Donosti Football Cup</p>	<p>Largest solar power order in India: turnkey construction of 130 MW</p>	<p>AGM at which Gamesa's shareholders ratify the merger with Siemens Wind Power</p>	<p>2 GW installed in Brazil</p>	<p>Début order for the G132-3.3 MW turbine</p>



Our identity



Mission, vision and values

Our mission

To offer the most innovative and sustainable solutions in the renewable energy industry, creating long-term value for all of our stakeholders.

What we aspire to

We aspire to lead the renewable energy industry at the global level in order to steer the transition towards a sustainable world.

Our values

Gamesa marries an entrenched industrial and technological culture with specific values: talent, integrity, innovation and excellence.



With a track record dating back 40 years, Gamesa is currently the world's fourth largest OEM in the onshore wind industry. Its reach extends to over 50 countries on all five continents. To achieve this position, Gamesa works end to end, designing, manufacturing

and installing wind turbines, managing maintenance and operation services and developing, building and selling wind farms. Gamesa pursues profitable and sustainable growth. It boasts a solid balance sheet and a competitive portfolio of products and services that contribute to continually improving the efficiency and cost of energy and creating long-term value for all its stakeholders: shareholders, employees, customers, suppliers and society as a whole.



Technology, the falling cost of energy and the fight against climate change are accelerating the transformation of the global energy model towards complete decarbonisation. This transformation is already high on the agendas of all large companies, public institutions, governments and conscientious citizens.

Gamesa actively supports any long-term commitment to combating climate change. At present, the turbines installed by Gamesa prevent the emission of 55 million tonnes of carbon per annum. Moreover, the company is committed to having a net zero footprint by 2025. In light of the major opportunities for development in the renewable energy sector, in emerging and mature markets alike, Gamesa is poised for continued growth in its traditional onshore business as well as in the offshore, solar power and offgrid segments.



Integrity. We do business honestly and transparently. We uphold solid business ethics and take a zero tolerance stance towards any form of dishonest practice. We enforce these pledges by means of strict compliance with applicable legislation and stringent ethic principles and internal policies.

Talent. Gamesa is a people-oriented company with a team of 9,000 highly-qualified professionals who share a culture based on talent, teamwork and diversity.

Innovation. We are among the players in our industry most committed to innovation. We reinvent ourselves constantly to add value for all our stakeholders.

Excellence. We strive for excellence by means of organisational flexibility at the process level, solid methodology that is embedded worldwide and project execution guided by the most stringent quality standards.

40 years of Gamesa



1976

Gamesa is incorporated, under the name of Grupo Auxiliar Metalúrgico, working on management of industrial projects and technology for emerging businesses.

1986

Start-up of activities in the aeronautic sector.

1990

Iberdrola invests in Gamesa.

1993

Participation in the construction of a new aircraft for Embraer.

1994

Entry into the wind energy sector.

1995

Gamesa installs its first wind farm in the hills of El Perdón (Navarre, Spain).

1996

Gamesa develops its first wind farm in La Plana (Aragón, Spain).

1998

Start of wind farm maintenance outside of Spain, in Baja California (Mexico).

1999

Installations reach the 1-GW mark.

2000

IPO.

2001

Gamesa's shares included in the Spanish blue-chip stock index, the Ibex 35.

Start of international expansion with projects in Portugal, France, Greece, Ireland, the UK, the US, China and Mexico.

2002

Gamesa installs the first 2-MW turbine.

Acquisitions of Echesa (gearboxes), Cantarey (generators), Enertrón (converters), Made and Navitas.

2003

Entry into new markets: Germany, Italy, India, Vietnam, Egypt, Japan, Korea, Taiwan and Morocco.

2004

Debut supply order in India. First manufacturing facilities set up in the US and China.

2006

Aeronautic business disposed of to focus on the renewable energy business.

2007

Alliance struck with the Daniel Alonso group for the manufacture of turbine towers.

2008

First factory opened in India.

2009

Installation of the first prototype from the 5-MW platform.

2010

Manufacturing capabilities established in Brazil.

2014

The company ranks as the #1 OEM in India for the first time.

2015

Creation of Adwen, a joint venture for the development of the offshore business. Launch of the 3.3 MW platform. Entry into the solar power business in India.

2016

Installation of the first offgrid prototype.

Our priorities

Our priorities

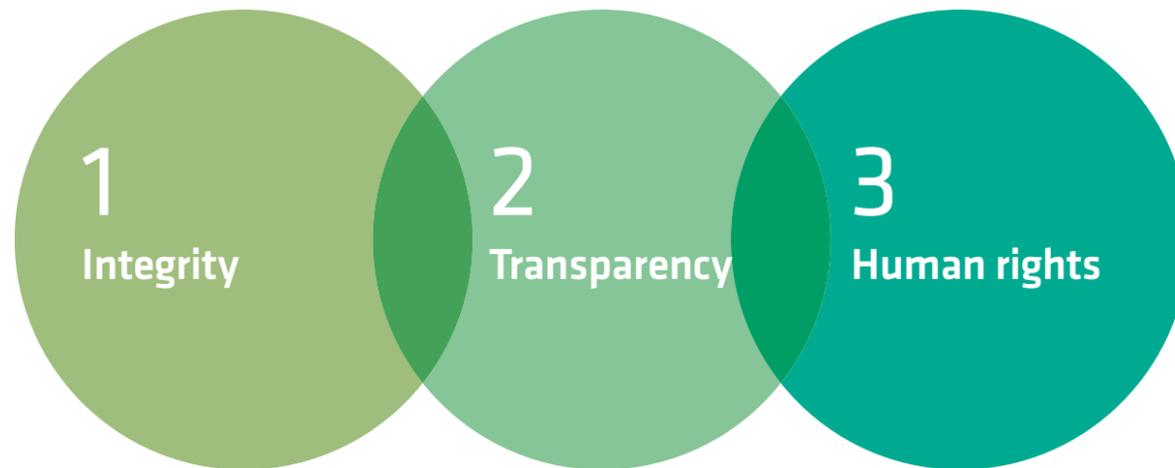
Gamesa's Corporate Social Responsibility strategy is articulated around how the company wants to be positioned in the long term (horizon: 2025). As such, it addresses the aspects of corporate citizenship of importance to its various stakeholders, building their

legitimate expectations into its decision-making and everyday management. This long-term vision is coupled with short- and medium-term initiatives so that the company adapts continually to prevailing demands on the business.

To this end, in 2015, in tandem with the 2015-2017 Business Plan, Gamesa rolled out its Master Corporate Social Responsibility Plan for 2015-2017. This plan maps out the corporate priorities that it believes must frame the company's economic performance and is structured

around seven programmes that are being executed by means of 26 lines of initiative and 50 specific actions, having first identified the matters of greatest importance to its stakeholders with a view to providing a reasonable response to their expectations.

Our priorities and the progress made



Development of an integrity framework to encourage communication, knowledge and enforcement of the Code of Conduct and emanating compliance and crime & fraud prevention rules and procedures.

Initiatives executed

- Update of the Corporate Social Responsibility Policy.
- Adoption of a responsible tax behaviour policy.
- Development and oversight of the whistle-blowing channel.
- Update of the Code of Conduct and related training sessions.
- Review and rollout of the crime and fraud prevention protocol and internal oversight.

Enhanced transparency by means of the implementation of tools designed to consolidate the CSR reporting effort, systematically track non-financial KPIs and facilitate the real-time reporting of these metrics.

Initiatives executed

- Active collaboration with organisations for the development of the CSR effort.
- Participation in international non-financial reporting projects.

Integration of human rights considerations into managerial processes so that these rights are further embedded into our operations.

Initiatives executed

- Establishment of the 'Global labour agreement on social responsibility'.
- Tightening of corporate security standards by means of operating procedures and periodic assessments.

Development of fair labour practices covering employment terms, working conditions, management-employee dialogue, career development and workplace health and safety.

Initiatives executed

- Development of training programmes designed to reinforce the safety culture among Gamesa employees and contractors.
- Development of a Diversity and Inclusion Policy and tracking of related KPIs.
- Introduction of checks to guarantee non-discriminatory hiring.
- Encouragement of career development.
- Promotion of a culture of work-life balance and shared responsibility.
- Reduction of accident rates by 10% and ongoing implementation of preventative safety measures.
- Workplace climate surveys to measure the extent of implementation of good labour practices.

Responsible development of the supply chain factoring in due diligence measures covering matters related to ethics, transparency and supervision of supplier relations.

Initiatives executed

- Approval of a Supplier Relations Policy.
- Development of a Code of Conduct for Suppliers.
- Development of a CSR audit process: over 100 suppliers audited.

Promotion of effective engagement with local communities, stepping up support for education and culture, job creation, community well-being and the development of skills from which to make a living.

Initiatives executed

- Creation of a CSR committee in India.
- Specific social action plan for Gamesa India.
- Sizeable investment in community projects (€500,000 in 2015-2017).

Protection of environmental capital, adopting practices designed to reduce pollution, use natural resources sustainably, protect and/or restore natural habitats and fight climate change.

Initiatives executed

- Systematic calculation of the company's environmental footprint.
- Maintenance of environmental management certification under ISO 14001.
- Verification of greenhouse gas emissions under ISO 14064.
- Electricity supplied to all plants and offices generated 100% from renewable sources.

For more information, refer to page 10 of Gamesa's Corporate Responsibility Report.

Organization 2016

Board of Directors

Chairman

Ignacio Martín
(Executive) (1)

Deputy Chairman

Juan Luis Arregui
(Independent) (1 and 4)

Members

José María Vázquez
(Independent) (2)

Sonsoles Rubio
(Proprietary) (2)

Luis Lada
(Independent) (1)

Gerardo Codes
(Proprietary) (1)

José María Aldecoa
(Independent) (1 and 5)

José María Aracama
(Independent) (2 and 3)

Francisco Javier Villalba
(Proprietary) (3 and 4)

Gloria Hernández
(Independent) (2)

Andoni Cendoya
(Independent) (3 and 4)

Secretary and Board Member

Carlos Rodríguez-Quiroga
(Executive)

Deputy Secretary, non member

José Antonio Cortajarena

Miembro de:

- (1) Executive Committee
- (2) Audit and Compliance Committee
- (3) Appointments Committee
- (4) Remunerations Committee
- (5) Lead Independent Director

i For more information on the directors' backgrounds, see page 14 of the 2016 Annual Corporate Governance Report, which can be found on Gamesa's website

Management

Executive Chairman
Ignacio Martín

Director of Internal Audit
Félix Zarza

Chief Financial Officer
Ignacio Artázcoz

Business CEO
Xabier Etxeberria

**Chief Corporate
General Secretary**
José Antonio Cortajarena

**Business Development
Managing Director**
David Mesonero

CEO APAC
Álvaro Bilbao

CEO USA
Borja Negro

CEO EMEA
Ricardo Chocarro

CEO India
Ramesh Kymal

CEO Latam
José Antonio Miranda

Business lines

Gamesa manages all the links in the wind value chain end to end: its activities accordingly range from technology research and design to the manufacture, supply and installation of wind turbines and the operation and maintenance of wind farms, an activity that includes the firm's turbine life extension efforts.



2 Operation and maintenance
 Gamesa rounds out its end-to-end service offering with an extensive range of operations and maintenance (O&M) services. As well as predictive, preventative and corrective maintenance, Gamesa develops value-added solutions with the goal of reducing its customers' cost of energy.

Wind turbines

On the technology front, Gamesa designs and develops wind turbines, undertaking the entire OEM process, from conception to manufacture, assembly, logistics management, installation and commissioning. The ability to custom-develop turbine parts ensures design excellence and the highest standards of quality, while compressing delivery times and enabling quicker technical support during maintenance.

The ability to develop and build wind farms on a turnkey basis, one of the solutions offered by the company, sets Gamesa apart in the marketplace. This activity includes all the tasks associated with the development of a wind power generation project: from site identification and permitting to the ultimate sale and maintenance of the facility.

Technological diversification

Gamesa's technology development capabilities have fostered the creation of subsidiaries specialised in electric and mechanical equipment designed not only with wind power but also other markets in mind, namely, Gamesa Electric, Gearbox and Offgrid.

Gamesa Electric

The company provides end-to-end and flexible electric system solutions using next-generation manufacturing processes; it is capable of mass production as well as tailored ad-hoc solutions for customers worldwide.

Gearbox

This unit custom designs, makes and sells gearboxes for businesses with stringent operating demands; it also provides support services to extend gearbox lives. Gamesa's strategy is to extend the useful life any damaged gearbox by fully reconditioning rather than merely repairing it.

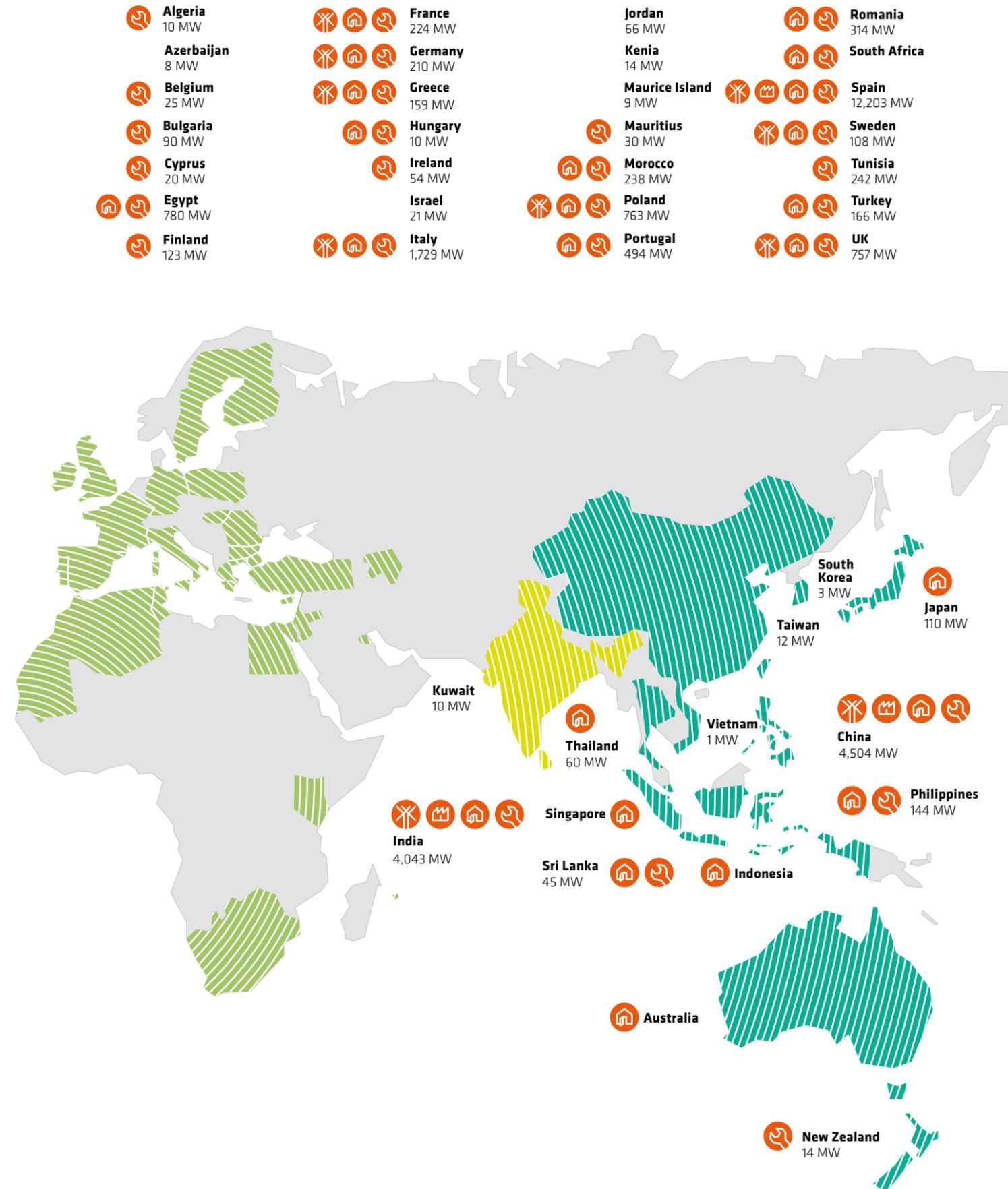
Offgrid

The idea underpinning this new line is to service communities and industries isolated from the electricity grid. With this objective in mind, the company has developed its first offgrid prototype; it combines wind and solar power generation with diesel and storage battery fuelled power.

International presence



Europe and RoW





Performance in 2016

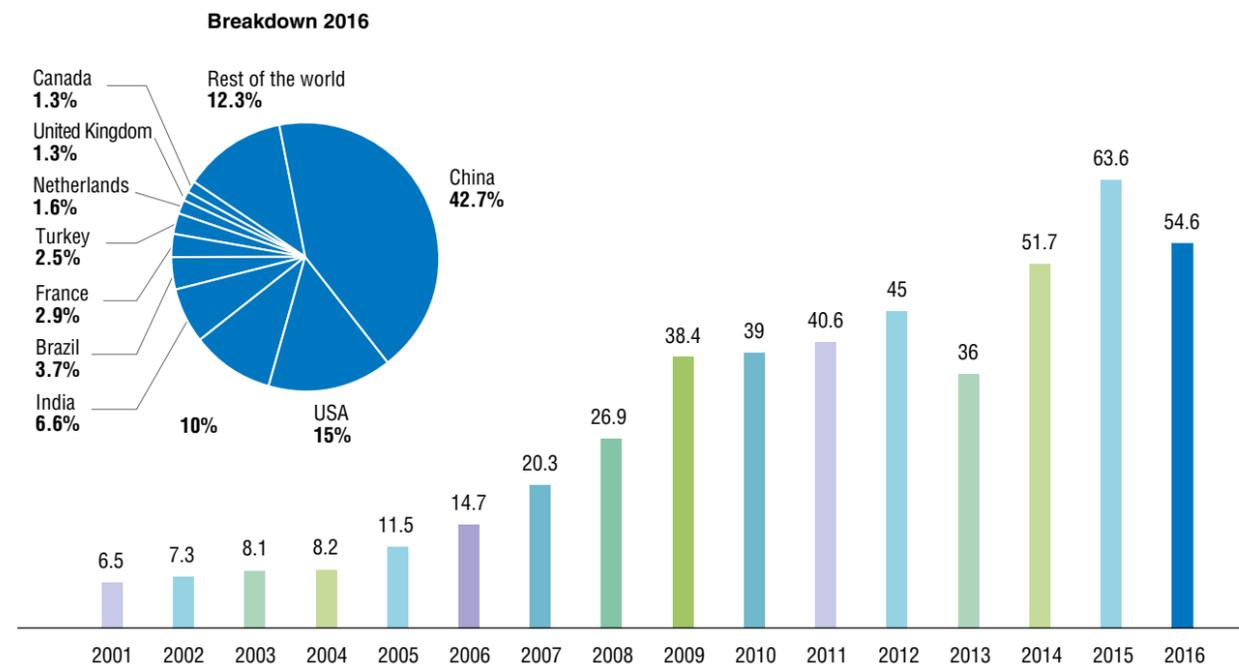


Market environment and outlook

Annual capacity additions

(GW)

Source: GWEC



The global wind market expanded to 487 gigawatts (GW) in 2016, according to Global Wind Energy Council (GWEC) data, 54 GW of new capacity having been added during the year, which was 14% below the record 63 GW notched up in 2015.

The main reason for the lower growth in new capacity additions was the slowdown in China, which nevertheless topped the global ranking of annual installed capacity, installing 23.3 GW in 2016, down from nearly 31 GW in 2015.

China, followed by the US (new capacity: 8.2 GW) and Germany (5.4 GW) accounted for 68% of the new capacity installed in 2016, nations which in turn led the cumulative capacity ranking, followed by India, which hit a new national record, having installed 3.7 GW last year. Brazil, meanwhile, installed over 2 GW.

Europe's cumulative installed base reached 161 GW, with nearly 14 GW of new capacity added last year, mainly by Germany, France, Turkey and the Netherlands.

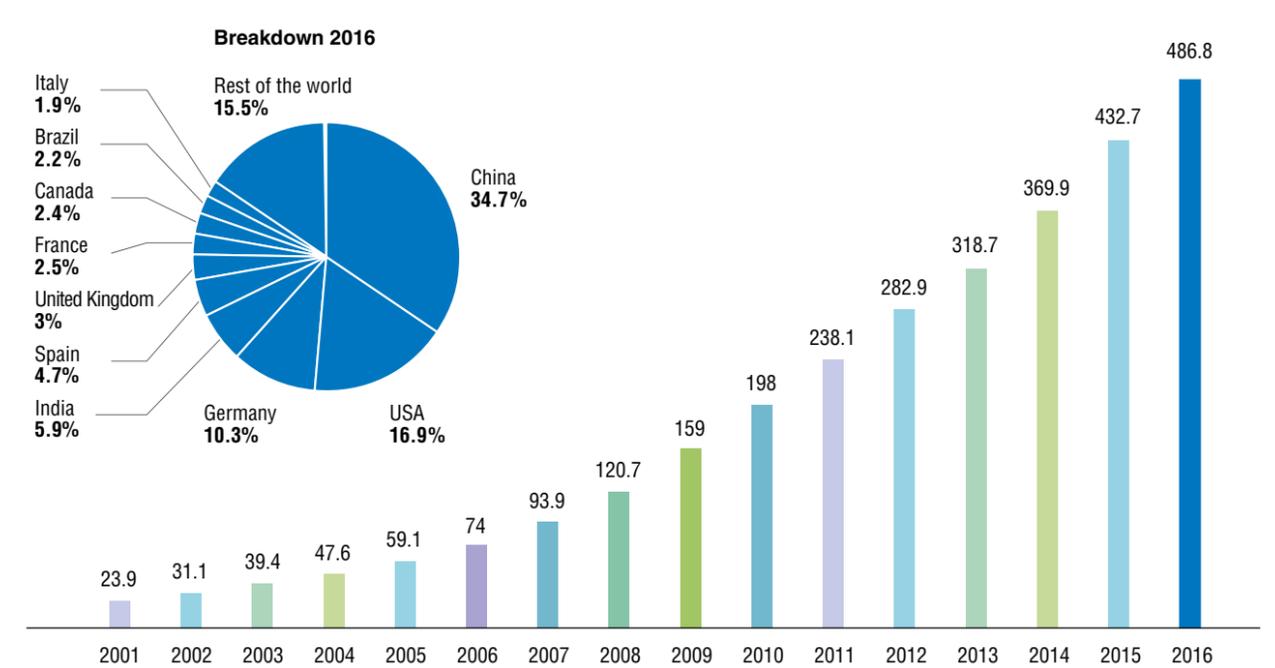
In Spain, wind capacity increased by 38 megawatts (MW) to 23 GW, according to the Spanish wind power business association, the AEE. Since the Spanish energy sector was reformed in 2013, just 65 MW of new capacity has been added in Spain, compared to 2,334 MW during the preceding three years.

Elsewhere, 2.2 GW of new capacity was added in the offshore segment, which is 4% of all new capacity installed in 2016, increasing cumulative global offshore capacity to 14 GW. According to GWEC figures, Europe is the driving force behind this technology, as it is home to 13 GW of the 14 GW installed to date. By country, the UK and Germany lead the sector, while China has installed 1 GW.

Cumulative capacity

(GW)

Source: GWEC



Outlook

According to MAKE Consultancy, the pace of installations will be similar to that of 2016 in 2017 at close to 55 GW, ticking slightly higher to around 58-59 GW in 2018 and 2019.

The growing number of countries committed to renewable energy in order to halt the tide of climate change, coupled with the increasing competitiveness of renewable sources, including wind, is laying the foundations for solid growth in the wind industry over the short, medium and long term.

This support for renewables was evident in the speed with which the Paris Agreement, signed by 195 countries on 12 December 2015, took effect (4 November 2016).

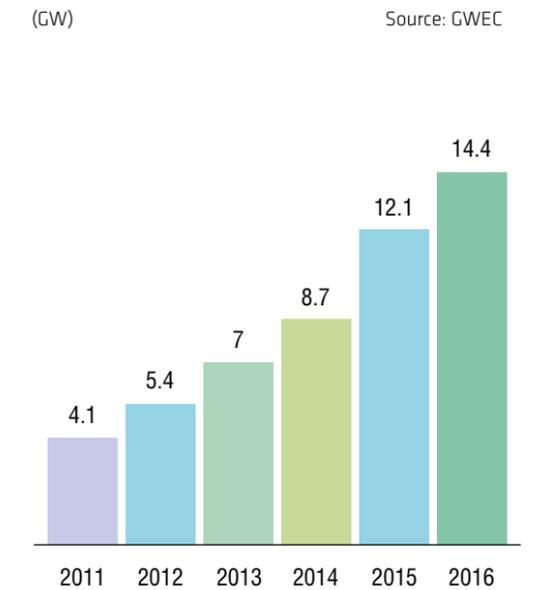
The 2016 United Nations Conference of Parties took place in Marrakesh (Morocco) (COP22) and accelerated the

deployment of the agreements reached in Paris during the prior climate change summit (COP21). More specifically, the 2016 summit ratified public support for clean technologies. This, together with constant downtrend in costs, will ensure steady growth in demand for renewable sources until 2025, by which time global installed capacity is expected to have reached 800 GW.

Against this backdrop of growing governmental support and wind cost-competitiveness, it is estimated that by 2040 clean sources of energy, i.e., those that do not emit greenhouse gas emissions, will represent 60% of total installed capacity, compared to 31% at the end of 2015. The developing economies (non-OECD), led by China and India, will account for the bulk of the new capacity installed as a result of growing demand for energy in these markets, driven by economic growth and electrification.



Offshore wind market



Wind power installations through 2040 are estimated at 1,825 GW, implying €3 trillion of investment.

Short term, the outlook is for stability, with the emerging markets and offshore business as its growth engines. Prevailing forecasts point to exponential growth in offshore capacity before reaching cruising speed in 2020 by which time the worldwide cumulative installed base is expected to have reached 40 GW.

The emerging economies are expected to increase their installed bases at an average annual pace of 8.4% through 2020, whereas annual growth in the offshore segment is estimated at over 38%, spearheaded by northern Europe (mainly Germany and the UK) and China.

Asia

Asia remains the world’s largest wind energy market, with cumulative installed capacity of 203 GW; this market is also expected to be the fastest growing in the short, medium and long term, led by China. Installed capacity in China stands at over 168 GW, which is 34.7% of the global total.

In the wake of the tariff cuts introduced in 2016, the Chinese market stabilised, with 23 GW of new capacity added. The Asian giant is expected to continue to add between 20 GW and 23 GW per annum over the coming years (2017-2020).

In 2016, China passed its eighth five-year plan for guiding the country’s economic and social development through

2020; the plan sets an ambitious public target of lifting the wind power base to 200 GW by the end of the plan and the share of the generation mix commanded by wind to 20% by 2030.

This commitment to cutting its carbon emissions, combined with the need to continue to increase its generation capacity, make China the market expected to add the most wind power capacity over the coming decade.

India, meanwhile, the number-two market in Asia in terms of installed capacity, increased its cumulative base to 29 GW in 2016.

Having held its first 1-GW capacity auction in 2016, India is demonstrating its firm commitment to providing

investors with stability and certainty; this mechanism is likely to give this market a fresh boost. According to MAKE Consultancy’s forecasts, India is set to continue to play a very prominent role on the global wind stage: between 2017 and 2025, it is set to take the third spot in the onshore wind market, behind China and the US.

United States

With cumulative installed capacity of 82 GW, the US is the world’s second largest market, behind China.

Current estimates call for additional capacity of 56 GW between 2017 and 2023, fuelled by extension of the production tax credit (PTC) regime from 2015 until 2019, which has lent the sector regulatory stability. Moreover,



a clarification was published in 2016 with respect to the PTC regime, allowing a margin of four years for commissioning a wind farm from when construction begins. This means that projects initiated in 2019 can be commissioned any time up until 2023 and still avail of the tax breaks.

Latin America

Cumulative installed capacity in Latin America reached 18.8 GW in 2016, driven by Brazil, Chile, Mexico and Uruguay. In Brazil, installed capacity crossed the 10 GW milestone in 2016. Although demand for electricity in this market has yet to recover and the decision as to whether to call new capacity auctions will depend on a turnaround, the main analysts still see Brazil as one of the Latin American wind market's growth engines.

In Mexico, where 454 MW was installed in 2016, the electricity reforms initiated in 2015 stipulate that 35% of the country's electricity be generated from renewable sources in 2024. To attain this goal, in 2016, the Mexican government launched two long-term renewable energy auctions which garnered very strong interest. Current forecasts call for the installation of around 1 GW of wind capacity per annum in the coming years. The next renewable energy auction is scheduled to be launched during the second half of 2017.

Argentina, for its part, is aiming to have 8% of its electricity generated from renewable sources in 2017 and 20% by 2025. In the summer of 2016, this nation launched its first renewable energy auction ('RenovAr'); the initial auction size was 600 MW in terms of wind capacity but in the end 708 MW was allocated. Leveraging the success of that first round, in October 2016, the government launched round 1.5, originally with the plan of auctioning off 400 MW of wind capacity but ultimately adjudicating more than 700 MW.

Europe

Europe's cumulative installed base reached 161 GW in 2016, with nearly 14 GW of new capacity added in the year, mainly by Germany, France, Turkey and the Netherlands.

Germany commissioned 5.4 GW of new capacity in 2016, well down from the 6 GW installed in 2015, when the first offshore facilities were installed.

However, the outlook for this market is favourable as a result of the establishment of the auction system as the remuneration regime for onshore wind power with effect from 1 January 2017. The calendar for 2017 calls for three auctions for the adjudication of 3.6 GW in total; a total of 2.8 GW will be auctioned off in four tenders in each of 2018 and 2019. Beyond 2020, the plan is to auction off 2.9 GW of capacity per annum over three rounds.

Spain, meanwhile, adjudicated 500 MW of wind power in January 2016 in the country's first wind auction; it adjudicated another 2,979 MW of wind capacity (out of a total 3,000 MW) in a second auction in May 2017 in which wind power competed with other technologies.

Africa & Middle East

The only country on the African continent to register growth in 2016 was South Africa, which added 418 MW of wind capacity. As a result, Africa's installed base rose to 3.9 GW.

Although Morocco did not install any new capacity last year, the growth forecasts are upbeat, as the government is targeting a wind contribution to the energy mix of 14% by 2020.

Egypt, meanwhile, is expected to install 3.6 GW between 2017 and 2020 in order to comply with its goal of having 20% of its generation mix come from renewable sources by 2022 (12% of which wind power).

2015-2017 Business Plan and 2016 earnings performance

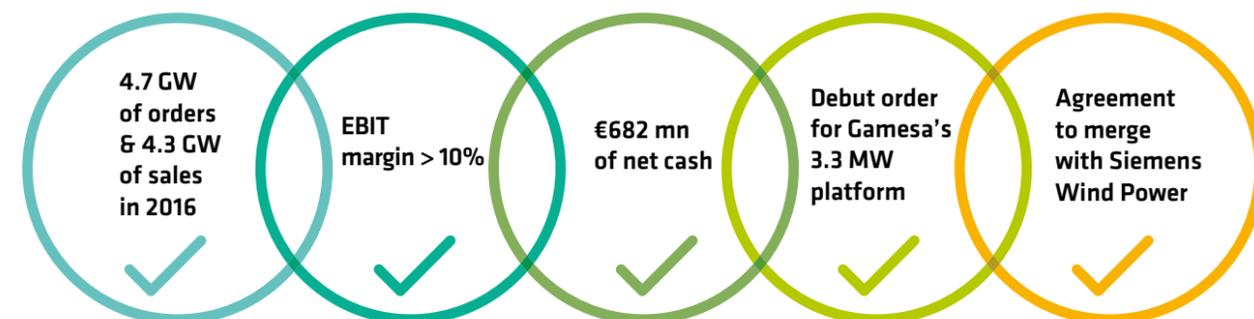
In June 2015, Gamesa presented its 2015-2017 Business Plan, designed to consolidate the profitable growth embarked on under the prior plan (2013-2015).

To achieve this overarching goal, it set itself five priorities.

Gamesa's compelling performance from when the new plan was set in motion until year-end 2016 has enabled it to deliver these targets one full year ahead of schedule (i.e., in 2016), underpinning upward revisions to the original guidance in July and November of last year.

Business Plan: priorities for 2015-2016 and delivery in 2016

1. To tap growth opportunities in emerging and developed markets
2. To control overhead and work tirelessly to trim variable costs
3. To maintain a healthy balance sheet
4. To boost the competitiveness of the product and service portfolio, enhancing the firm's positioning in mature markets
5. To ready the company for what lies beyond 2017



Targets delivered

1. Profitable growth

Gamesa recorded revenue growth of 31.6% in 2016 to €4.61 billion, fuelled by growth in revenue in the wind turbine division (+37%). Indeed, the WTG business unit registered strong sales volumes: 4,332 MWe, marking growth of 36.2% compared to 2015.

Gamesa's profitable growth strategy is underpinned by sales diversification. By region and sales volume (in MW), the biggest contributors in 2016 were India (38%) and Latin America (24%). EMEA, the US and Asia Pacific contributed 17%, 12% and 9%, respectively.

This strong competitive positioning has become a commercial force; in 2016, the company registered a record order intake of 4,687 MW, 1,386 MW of which secured in the last quarter of the year (+33%).

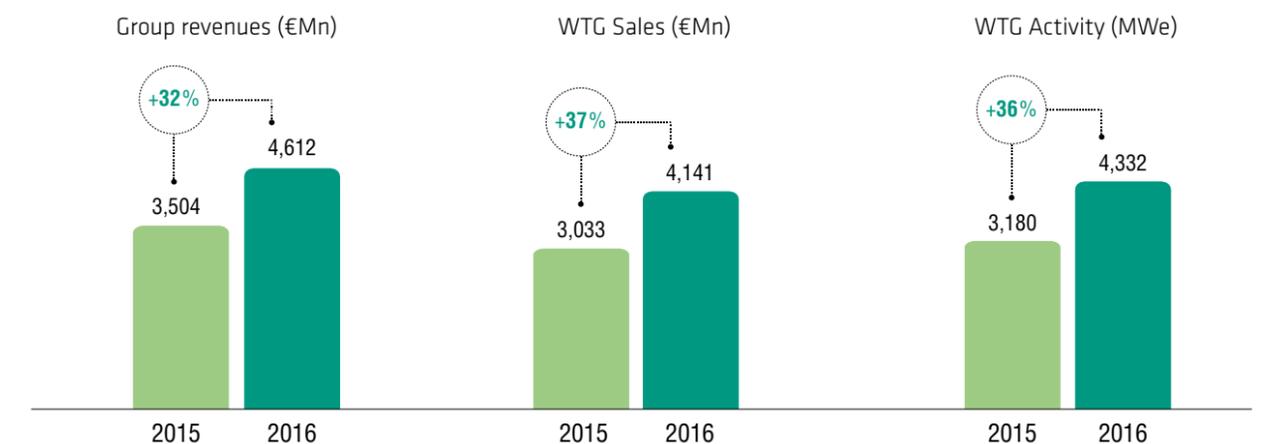
As a result, the company has locked in 63% of its sales volume guidance for 2017 (c.5,000 MWe).

Within the orderbook, the presence of the G114-2.0 MW-2.5 MW and G126-2.5 MW turbines stand out: their weight in the sales mix jumped from 50% in 2015 to 67% in 2016. Factoring in the first order for the G132-3.465 MW, the contribution by the new models rises to 70% of all orders received.

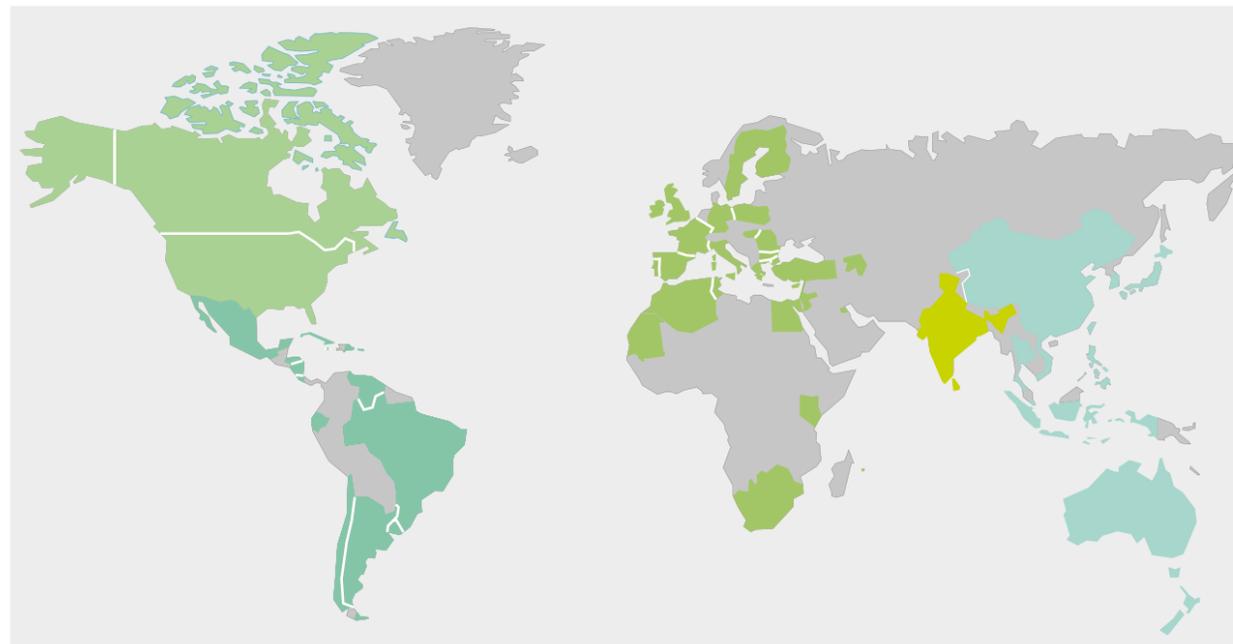
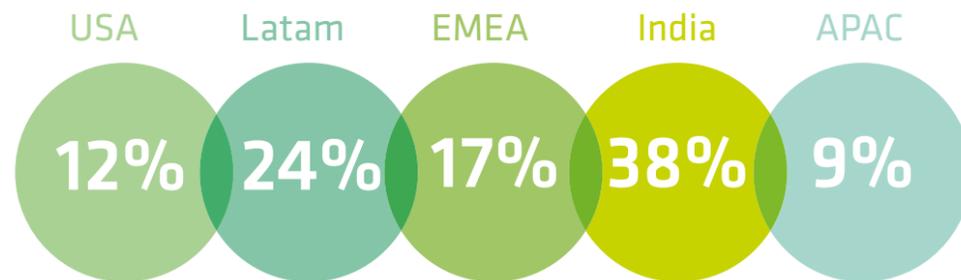
This momentum enabled Gamesa to continue to increase its global market share. Indeed, Gamesa climbed to fourth place on the global ranking of wind turbine OEMs compiled by FTI Consulting, as well as on the list prepared by Bloomberg New Energy Finance (BNEF).

The operations and maintenance division, meanwhile, generated stable revenue of €471 million in 2016, albeit with clearly improved margins.

Sales trend year-on-year



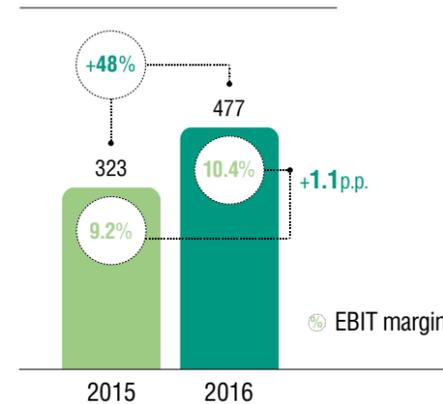
Total sales volume in 2016: 4,332 MWe



2. Controlling overhead and cutting variable costs

Gamesa is working tirelessly to streamline its variable costs, control its overhead and roll out quality excellence programmes. This effort was evident in the company's improved profitability: in 2016, it posted EBIT of €477 million, up 48% year-on-year, implying an EBIT margin of 10.4%. Net profit amounted to 301 million euros (+77%).

EBIT evolution (€Mn)

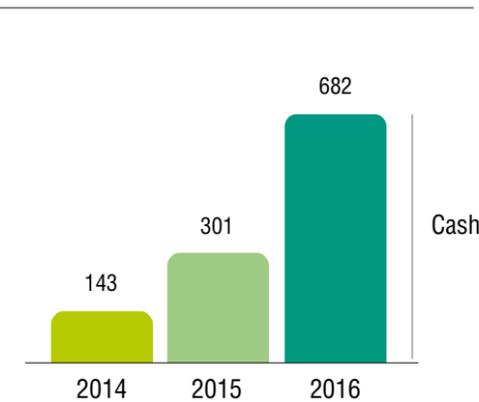


3. Balance sheet strength

Gamesa's strategy is also articulated around the strength of its balance sheet. Against this backdrop, in 2016, cash flow generation reached a new record of €423 million, enabling the company to end 2016 with a net cash position of €682 million (vs. €301 million at year-end 2015).

The combination of profitable growth and control over investment in fixed assets and working capital is enabling Gamesa to continue to meet the value creation promise made to its shareholders: at 30%, the company's ROCE was 11 points above the 2015 figure.

Net financial debt evolution (€Mn)



4. Competitiveness of the product and service portfolio

Gamesa has continued to work to develop its portfolio of products and services. This strategic priority is key to reducing its customers' cost of energy, maintaining its technological and competitive edge and improving its positioning in developed economies and emerging markets in which it has yet to establish a foothold.

To date under the 2015-2017 Business Plan, Gamesa has launched two new turbines - the G132-3.3 MW and the G126-2.5 MW. Orders have already been placed.

5. Readiness beyond 2017

While making progress on delivery of the financial targets set down in the 2015-2017 Business Plan, in 2016, Gamesa took a major step in the process of putting in place its long-term strategy when it executed an agreement to merge with Siemens Wind Power in order to create a global wind industry giant.

In parallel, the company explored opportunities in sectors that present compelling synergies relative to its traditional wind business, such the solar power and offgrid segments; these efforts may begin to add value from 2018.

- In May 2016, in La Muela (Aragon), the company inaugurated a prototype of its offgrid system for the supply of power to remote areas without access to the grid, such as islands, mines and certain rural areas. The system is pioneering on account of its bundling of four sources of power - wind power, solar power, diesel-powered generation and energy storage batteries - into a solution with installed capacity of over 2 MW.

- India's solar potential has been sized at 750 GW. The government's goal is to lift installed capacity to 100 GW by 2022, compared to 3.8 GW today.

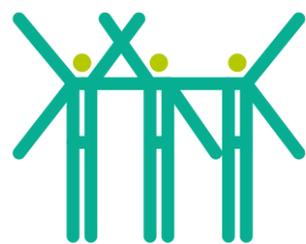
Merger between Gamesa and Siemens Wind Power

On 17 June 2016, Gamesa and Siemens entered into an agreement to merge their wind business, a transaction that closed in early April 2017.

The deal gives rise to a leading player in the global wind power industry, one with a presence in more than 90 markets, industrial capacity in the leading wind markets and a combined installed base of 75 GW. The combined

company will begin life with an order pipeline valued at some €21 billion, revenue of €11 billion and adjusted EBIT of €1.1 billion, using pro forma figures as of December 2016. The new company, headquartered in Zamudio (Vizcaya), will continue to trade on the Spanish stock exchange, becoming one of the largest industrial stocks in the Ibex-35, Spain's benchmark blue chip index.

Key figures



27,000
professionals



75 GW
installed base



+90
countries
with turbines



€21 bn
order intake



€11 bn
of annual revenue



€1.1 bn
adjusted EBIT



Siemens will own 59% of the enlarged company's shares and Iberdrola will hold 8%. The remainder will be freely floated.

The registered office and headquarters of the combined company will be based in Spain, as will the onshore business; the offshore business will be based between Hamburg (Germany) and Vejle (Denmark).

The merged company will boast a strong presence in fast-growing segments

Onshore:

The competitive wind turbine technologies cover all wind classes and site conditions. The portfolio enables us to fulfil all customer requirements, helping to reduce the cost of energy.

Offshore:

The company offers full-scope solutions for our customers such as offshore wind turbine design, installation as well as comprehensive service.

Its competitive technologies help to minimise risk and optimize return on investment of offshore wind power plants.

Servicios:

The company offers flexible service solutions that are tailored to customers' diverse operating models, advanced diagnostics and digitalization capabilities, as well as customized offshore offerings.

Value creation for all stakeholders:

- **Shareholders:** these stakeholders will hold an interest in a leading wind energy player. Gamesa's shareholders received a special cash dividend of €3.59 per share - the highest in the company's history and 25 times the dividend distributed in 2015 - upon the merger's close.
- **Customers:** the merged company offers a broader portfolio of products, services and solutions. The combination of the two firms' technologies will translate into even lower turbine costs and, by extension, a lower cost of energy.
- **Employees:** the merger brings the company's professionals new geographies and business areas in which to continue to develop their careers.
- **Suppliers:** the supply chain will gain access to new markets and projects. They will work with a stronger company, one with a truly global reach and a presence in both the onshore and offshore segments.

Gamesa's share price performance



Over the past five years, Gamesa has seen its market capitalisation multiply nearly 14-fold: its shares have gone from trading at €1 in July 2012 to around €21 today. This cumulative gain of 1,374% compared with a return of 47% for Spain's bellwether Ibex-35 index in which the company's shares are traded.

2016 was marked by a widespread equity market recovery. Most of the world's equity indices notched up gains last year, with the benchmark indices in the countries in which Gamesa has a significant presence, including the S&P 500 (US), Nikkei (China), S&P Europe 350 (Europe) and BSE Sensex (India), rallying.

This positive market momentum, coupled with the company's solid performance throughout 2016 –healthy earnings, business vitality and geographic diversification– was evident in its share price performance.

Against this backdrop, Gamesa's shares closed the year 21.8% higher at €19.27, making it one of the best-performing stocks of 2016.

The shares hit a low early in the year, on 21 January (€13.78), before the negotiations to merge with Siemens Wind Power emerged. They hit their high for the year of €21.77 on 22 September.

The share price performance also reflects the market's warm take-up for the planned merger with Siemens Wind Power. Indeed, Gamesa's shares have gained over 18% since the merger agreement was signed on 17 June.

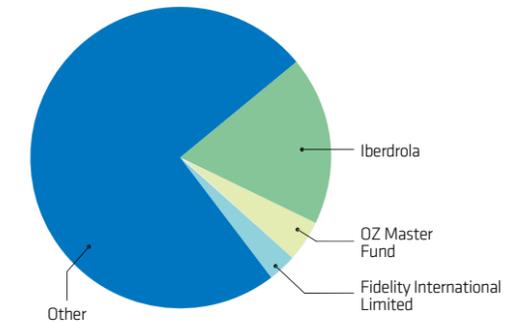
It is worth highlighting the fact that Gamesa earmarked €42 million to cash dividends in 2016. It paid an ordinary dividend of €0.1524 per share, implying a payout of 25%.

In addition, at the Annual General Meeting, the company's shareholders also approved the distribution of a special cash dividend of €3.591 per share (before withholdings), which was paid out by Gamesa after the merger closed.

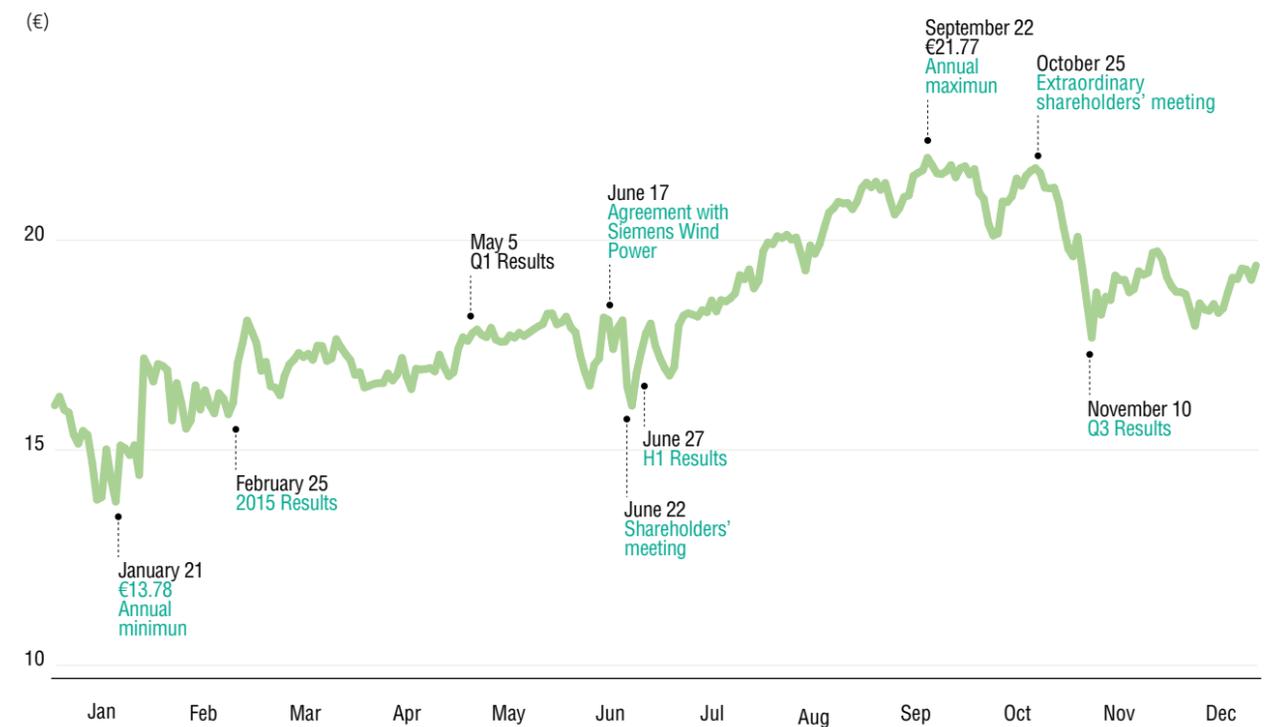
Share capital

Gamesa's share capital stood at €47,475,693.79 at year-end 2016, made up of 279,268,787 shares, represented by book entries, all of the same class, all fully subscribed and paid in and each with a par value of €0.17. Its shares have been traded on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao).

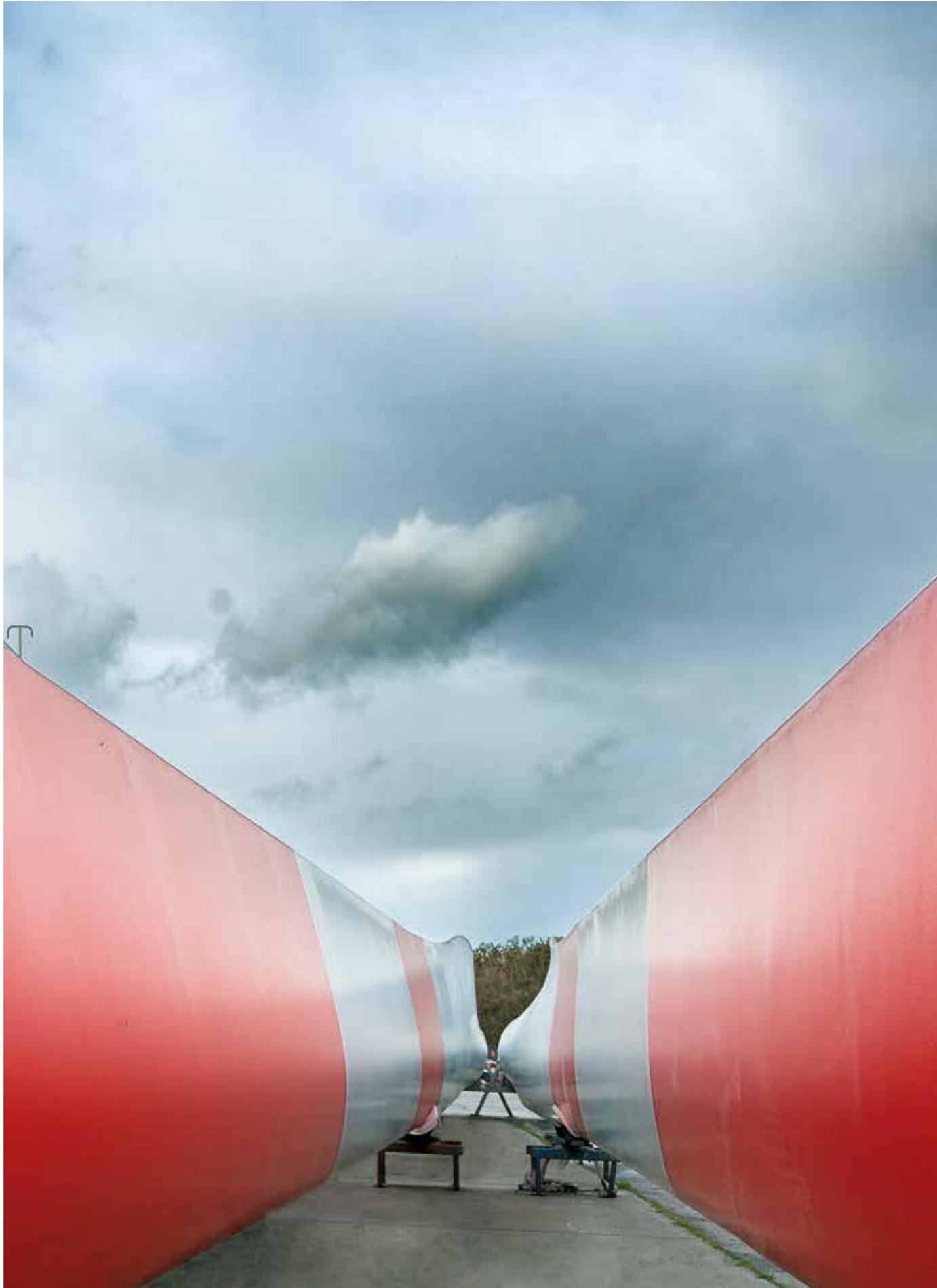
Significant shareholders



Accumulated gain in 2016



i For more information about Gamesa's share price performance and share capital, refer to the Shareholders & Investors tab on the corporate website.



Business model



International footprint



Gamesa divides its business into five core regions: India, EMEA, APAC, the US and Latam. Between them, they generated sales of 4,332 MW in 2016.

India

2016 was another very good year for Gamesa's business in India. The region once again accounted for the biggest sales volume: at over 1,600 MW, it represented 38% of total company sales. Moreover, for the third year in a row, Gamesa ranked as the leading OEM in India, according to data published by MAKE Consultancy.

Gamesa's success in this region is primarily attributable to its strong strategic commitment to this market, where it has three proprietary manufacturing facilities, underpinned by a strong local supply chain, made up of close to 2,000 suppliers, and a solid sales network.

Indeed, at the end of 2016, the company started up its new factory in the town of Nellore, in the state of Andhra Pradesh, one of the country's fastest-growing wind power producing regions. With 400 employees and configured to produce the G114-2.0 MW class S, a turbine custom-designed for the country's low wind speeds, this facility complements the company's blade plant in Halol (Gujarat), nacelle factory in Mamandur (Chennai, Tamil Nadu) and repair centre in Red Hills (Chennai, Tamil Nadu).

With nearly 3,000 employees in India, the company has installed over 2,662 wind turbines since establishing a

presence in this market. It also boasts an extensive and well-diversified customer base in India which notably includes independent power producers and industrial groups, as well as state-owned companies.

Commitment to solar power

In 2016, Gamesa commissioned solar power facilities with aggregate capacity of 58 MW in the Indian states of Tamil Nadu, Telangana and Uttarakhand. The company engineered and designed these facilities, supplied the photovoltaic inverters and commissioned them.

Moreover, it received the Rising Star prize awarded by the trade journal *Solar Quarter* during Solar Power Week. This prize endorses the company's capabilities in this segment.

In parallel, the pipeline continued to grow, with the company securing a number of new orders in 2016, most notable among which:

- An agreement with Indian developer Atria Power for the EPC construction of 130 MW of solar power capacity at two developments located in the regions of Karnataka and Andhra Pradesh, in southern India. This is the largest solar order received by Gamesa since it entered this sector in India in 2015.
- An order for the EPC development of 12 MW of solar power in the state of Tamil Nadu. The company will engineer and design the facility, supply the photovoltaic inverters and commission the project.

In 2016, Gamesa also landed its first solar power order in Sri Lanka, where it will develop 20 MW for the industrial conglomerate Laugfs Power Limited. The company will build the facility under an EPC arrangement, meaning it will engineer and design the facility, supply the photovoltaic inverters made by Gamesa Electric and commission them, foreseeably in October 2016. This development is being built in the province of Hambantota, in the south of the island.

Latin America

Latin America made a vital contribution to Gamesa's business throughout 2016, generating sales of 1,200 MW, which is 24% of the total sales volume, mainly in Mexico and Brazil. Gamesa has emerged as a key player in these two markets, in which it is the number one and number two OEM, respectively. In all, the company is present in 14 countries in the region, where it has installed over 5,000 MW.

Brazil

Since Gamesa entered the Brazilian market six years ago, it has built up a position as one of the leading OEMs, having installed over one thousand turbines (2 GW). Ten per cent of the turbines installed to date correspond to the G114-2.1 MW a turbine custom-designed to harness as much power as possible at a lower cost in the constant, low-turbulence wind conditions typical of Brazil. The company also handles

operations and maintenance services for its customers in this market.

Gamesa's commitment to the development of wind power and the industrial fabric in Brazil is evident in its efforts to establish a competitive local supply chain: purchases from this supplier base, made up of close to 1,200 firms, amounted to over €300 million in 2016.

Mexico

Since it began to do business in Mexico back in 1999, Gamesa has installed 1,100 turbines nationwide (almost 1,900 MW), cementing its position as the leading OEM in this market. With nearly 270 employees in Mexico, the company is also an active player in the wind farm development and operation and maintenance service segments.

Its vertically-integrated approach to the wind business, coupled with early penetration of this market, has emerged as one of Gamesa's key competitive advantages in Mexico and cemented its ranking as the country's leading OEM by market share.

In 2016, the company secured new orders which consolidate its positioning in Mexico. Notably, the first order for the company's new turbine, the G132-3.465 MW, a product which guarantees the lowest cost of energy across a broad spectrum of sites: Gamesa has been contracted to supply 57 of these turbines.



EMEA

The sales contribution by Europe, Middle East and Africa (EMEA) amounted to 17% in 2016, a year in which Gamesa sold over 730 MW and secured important orders for the installation of turbines and the EPC development of wind farms in various markets, including Poland, France, Italy, Greece, the UK and Spain. In addition, the company operates and maintains a portfolio of 12,694 MW in this region.

One of last year's key milestones in this region was Gamesa's entry into the Dutch market for the first time, having been commissioned to supply 11 MW to replace several old turbines at various wind farms, specifically with three of Gamesa's G58-850 kW turbines and 10 of its G52-850 kW turbines.

In 2016, Gamesa also reaffirmed its strategic commitment to the Spanish market, where it is the leading OEM, with a market share in excess of 50%, having installed over 12,000 MW nationwide. In the wake of the latest energy sector reforms, the company will build a 20-MW wind farm for Villar Mir Energía (fitted with 10 of the company's G114-2.0 MW turbines) at the Valiente wind farm in Huesca under an EPC contract.

Also in Spain, Gamesa secured a 7-year agreement with the Vapat Group for the provision of operations and maintenance services covering an installed base of 216 MW. In Spain alone, Gamesa manages a portfolio

of 7,620 MW under its end-to-end O&M offering, servicing more than 400 customers.

APAC

In a year in which the pace of new capacity installations slowed in China, from 32.5 GW in 2015 to 31.3 GW in 2016, according to the data published by GWEC, the region comprising Asia-Pacific and China (APAC) continued to contribute to the company's growth.

APAC accounted for 9% of Gamesa's total sales volume (measured in MW) in 2016.

China

Gamesa's presence in China, where it has supplied over 4,500 MW to date, goes back 16 years.

The strategy of maintaining a local presence and the development of a competitive supply chain, with 89% of inputs sourced locally, drove Gamesa's sales in China to over 250 MW in 2016, 9% of the total.

One of the company's key competitive advantages in the Chinese market is its technological prowess, specifically its ability to offer products custom-configured for the region's needs, such as turbines which can be installed at more than 3,000 metres above sea level, turbines capable of withstanding strong coastal winds and turbines resistant to the extremely low temperatures of the north-east.



Gamesa's Asian footprint also extends to Vietnam, the Philippines, Taiwan, South Korea, Japan and Sri Lanka.

Another business milestone worth highlighting from 2016 is the order secured in **Indonesia** for the supply of 75 MW at the first wind farm to be built in the country, a high-potential wind market. This order also marks a product milestone as it is the first time the G114-2.5 MW turbine will be installed in Asia-Pacific (excluding China).

This project falls under the scope of the Indonesian government's plan for lifting generation capacity, combining traditional and renewable sources, to 35 GW by 2019. Longer term, its goal is to have 23% of output generated from renewable sources by 2025.

Elsewhere, Gamesa increased its presence in **Thailand**, signing two new contracts in 2016. One of these marks a technological feat as it will imply installing Asia's tallest wind turbines. With towers stretching 153 metres high, these turbines - 18 units of the G114-2.0 MW model and 15 of the G114-2.1 MW - are the tallest ever supplied by Gamesa.

United States

Gamesa boasts a solid presence in the US market. Having installed nearly 4,900 MW in the US to date, the company has been steadily cementing its presence in this market, establishing itself as one of the country's leading turbine OEMs.

This region accounted for 12% of the company's total sales volume in 2016..

The supply of 298 MW at the El Cabo wind farm in the US, developed by Avangrid Renewables, an Iberdrola Group company, is one of the biggest orders in Gamesa's history and entails the delivery of 142 of its G114-2.1 MW turbines.

Industrial strategy



The industrial strategy pursued by Gamesa combines in-house manufacturing with production through a professional supplier base. This configuration endows the company with a more efficient, nimble and flexible productive structure, one that is capable of providing an adequate and end-to-end solution to the needs posed by each customer and operating region. In this manner, the company ensures that it continues to reduce its customers' levelised cost of energy (LCoE).

In deciding which strategy to pursue in each instance, Gamesa analyses several factors, such as the forecast outlook for demand, development of the local supply chain and component criticality, among others.

In-house production: the 'Make' strategy

Spain and China are Gamesa's main production and supply hubs; this is where it manufactures the key components of its turbines - blades, nacelles, gearboxes and other electric parts (generators and converters) - for both the local and export markets. It also has in-house manufacturing capabilities in India (nacelles and blades) and Brazil (nacelles). Meanwhile, Windar, the joint venture with the Daniel Alonso group, handles tower production.

This sizeable proprietary manufacturing base enables tight control over the production process, while locking in the required technological know-how and ensuring timely new developments. At present, Gamesa makes 60% of the components contained in its turbines in-house.

Manufacturing footprint

Brazil

Nacelles and towers

Spain

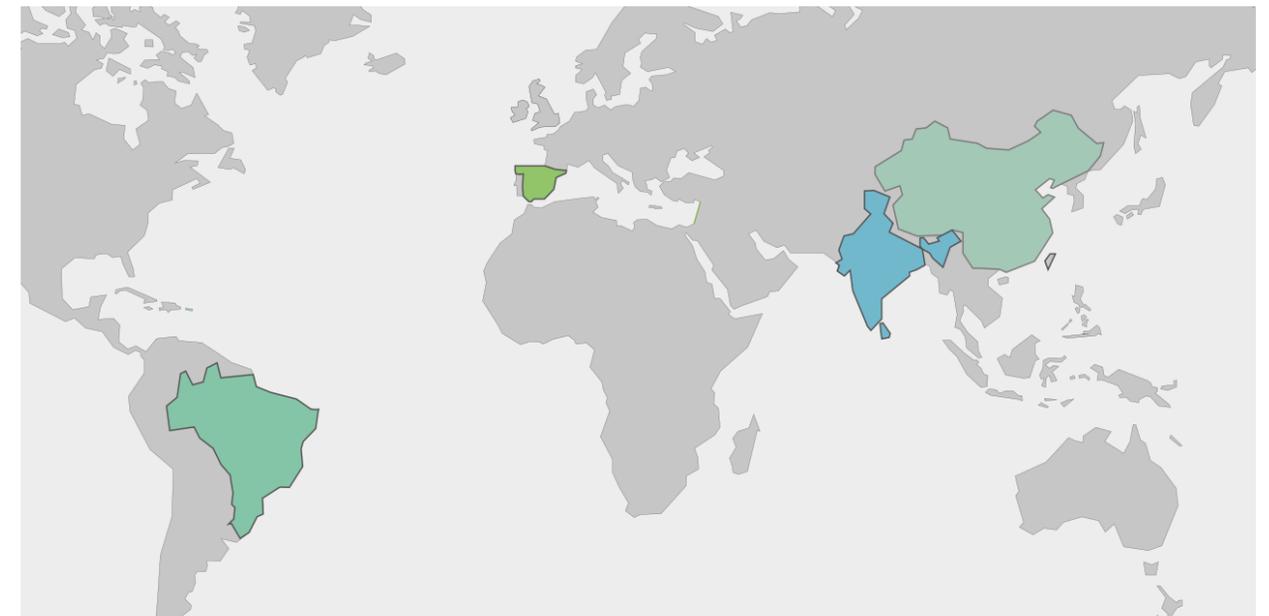
Nacelles, blades, generators, gearboxes, converters and towers

India

Nacelles, blades and towers

China

Nacelles, generators, and converters



Supply chain: 'Buy' and 'Build-to-print' strategies

In parallel, Gamesa continues to develop its supply chains in its business markets with the goal of gaining flexibility, adapting production to demand variability by compressing delivery times and optimising logistics processes.

Against this backdrop, the 'Buy' strategy, under which it procures key parts from suppliers, accounts for between 25% and 50% of the industrial equation, depending on the part in question.

The 'Build-to-print' strategy, meanwhile, consists of showing suppliers how to make specific parts using Gamesa's own design specifications; this strategy currently accounts for 45% of gearbox production

and 22% of blade production and its incidence continues to rise. This formula facilitates the introduction of new products with a much faster turnaround.

In 2016, Gamesa increased its global supplier base to 10,300 firms. The level of local purchases stands at 90% in China, 60% in India and 72% in Brazil.

i For more information, refer to the Suppliers section of this report (page 86) and section G4-12 of the 2016 Corporate Responsibility Report.

Innovation



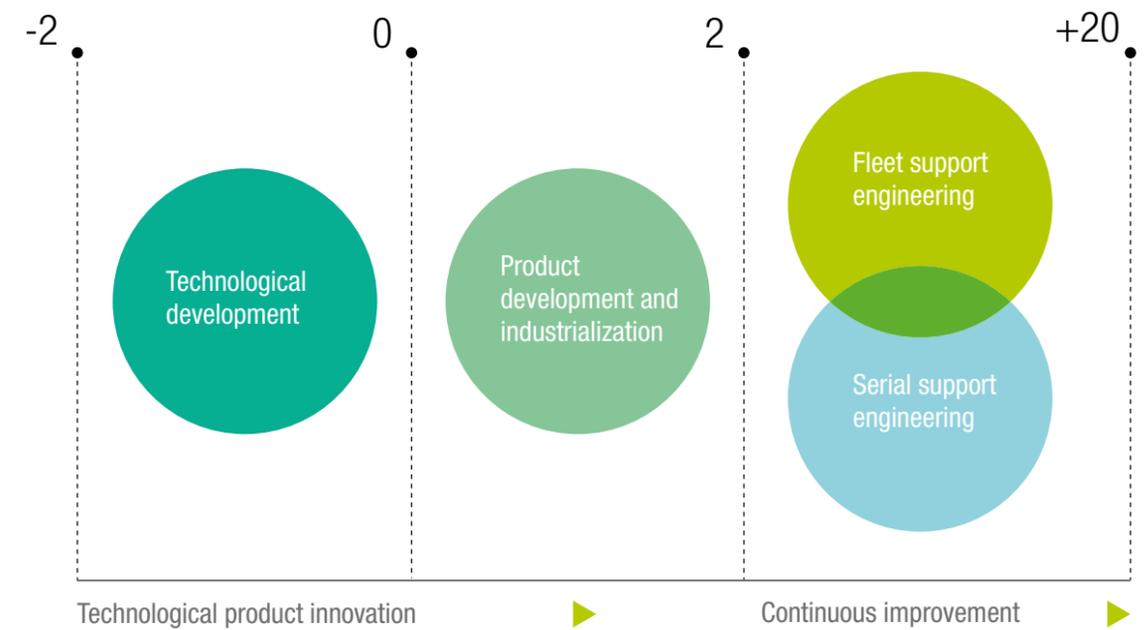
Innovation is a cornerstone of Gamesa's strategy and a vital component of its business strategy. Gamesa takes a holistic approach to innovation, embedding it not only into all its products and services but also into all the areas comprising the company and its everyday management processes.

As a technology company, the main thrust of Gamesa's innovation efforts are the products it designs, including its wind turbines and its wind farm O&M-enabling technology. By means of technological innovation, the company's wind turbines are delivering a steadily declining cost of energy for their users, eking out competitive gains as part of the evolution towards a clean and sustainable energy model.

Gamesa has a medium-term technology strategy which itemises the key areas of innovation on which to focus its development efforts (fleshed out below) and the specific management plans for implementing each project. They range from pure innovation work to product development, industrialisation and continuous improvement.

In addition, before backing any product or service enhancement, Gamesa analyses a series of variables to make sure the proposed solutions are feasible from a design standpoint, economically viable and value-adding for its customers.

Innovation at Gamesa step by step



In 2016, Gamesa invested €168 million, or 4.8% of total revenue, in its innovation effort. This places it among the 320 European companies that earmark the most money to innovation and ranks it among the top 15 players in Spain in this respect.

It has R&D centres in Pamplona, Madrid and Zamudio (Spain) and local engineering teams in India, China, Asia Pacific, North America and Latin America.

Lastly, Gamesa seeks to position itself as a benchmark in the R&D arena. To this end it has established agreements with universities and technology centres with which it is collaborating on a range of research projects.

In 2016, Gamesa made further progress on its 2015-2017 Technology Strategy Plan, which complements the Business Plan drawn up for the same period. This Plan establishes the key lines of strategic initiative on the innovation front:

- Development of new wind turbines;
- Projects for continuously improving existing products; and
- Operations and maintenance products and services.

Technological product innovation

The Product Strategy Committee, made up of the heads of the company's main business divisions, the Business

CEO and the regional CEOs, is tasked with analysing and selecting the innovations and new products to be developed by the company. In doing so, it factors in the customers' needs in every region, coupled with the necessary industrial resources.

The 2015-2017 Plan contemplates the new 3.3 MW platform, launched in 2015, and the adaptation of the 2.5 MW platform for the Indian and Brazilian markets.

After the new products have been selected for development, the next step in the process is decision-making by the Product Development Committee in relation to the technological specifications of each product.

In addition to the new turbine developments, this Plan also contemplates innovation for the sake of innovation. This translates into developments which keep Gamesa at the cutting-edge technology-wise and constitute a barrier to entry. This R&D effort takes shape through the Technology Research Selection Process (TRSelect), a systematic innovation scheme designed to detect, evaluate and prioritise technological needs in which the patenting effort is crucial.

Against this backdrop, in recent years Gamesa has established itself as one of the most active industrial wind players on the patent front, with a portfolio of 816 patent applications worldwide, of which 166 patent families or inventions and 518 patents have been legally protected by several countries' patent and trademark offices.

Moreover, according to the 2016 report issued by the independent firm, Totaro & Associates, the company resulting from the merger between Gamesa and Siemens Wind Power will be the world's second most important OEM by number of patents.

Continuous improvement

Continuous improvement or incremental innovation enables the incorporation of improvements into existing products, services and processes.

Gamesa articulates its continuous improvement programmes around Group-wide processes whose high-level goal is to contribute to gradually reducing the cost of energy in the wind value chain. To this end, each year the company performs a process known as

Model Year to compile all the improvements detected by the various areas within the company and by customers and suppliers which pave the way for product enhancements.

Culture of innovation

One of Gamesa's objectives is to bring about cultural change by actively engaging its people in improving the firm's processes. To achieve this goal, it has several tools for fostering a culture of innovation among its employees.

The first is the Gamesa Awards contest launched in 2016. To participate in this competition, employees are asked to present the most innovative practices implemented by them in the prior year, outlining what was achieved as a result.

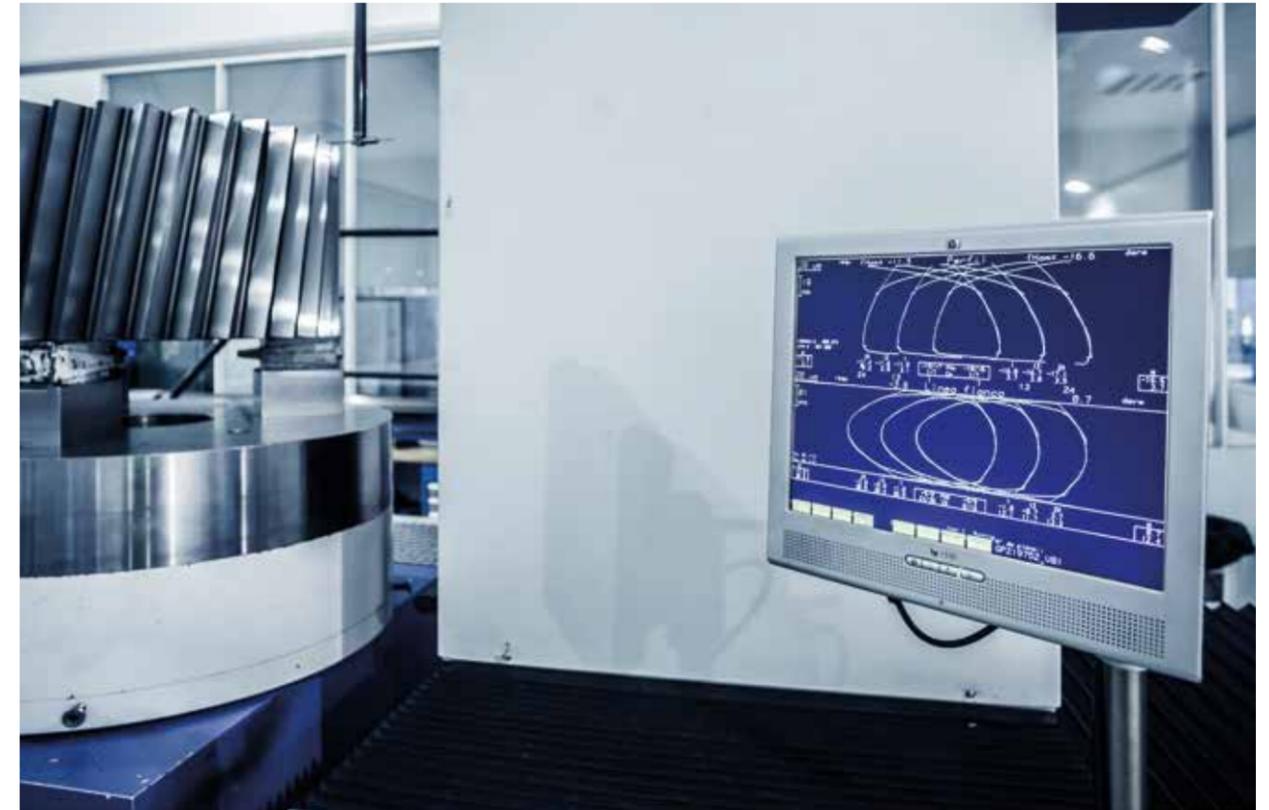
An in-house then panel analyses all the projects and selects the prize winners, who receive their awards during the Gamesa Forum summit which brings together the company's executives once a year. The nearly 300 proposals received in 2016 provide ample evidence of the existence of a culture of continuous improvement and innovation at the firm.

On account of its particular relevance in the innovation sphere, the company's Technology area also has a series of special tools:

- A best idea competition in which all its technology experts participate. In this instance the most novel solutions are added to the firm's pipeline of technology research projects.
- An annual event for reflecting on the technology strategy known as Technology Away Day.
- A technology intelligence monitoring project involving reports underpinned by conferences, congresses and observation of patents published to provide the firm's technology experts with state-of-the-art know-how.

The company also has several mechanisms for tapping the innovation potential of its surroundings and fostering an open innovation environment:

- A Technology Proposals inbox created to gather all external technology proposals received at Gamesa.
- A Tech-gamwatch inbox to centralise all third-party requests relating to intellectual property.



Participation in R&D projects

- **Windtrust.** Effort to demonstrate, using a full-scale onshore prototype (2 MW), a universe of technologies designed to substantially enhance turbine reliability. Several technologies have been successfully applied to the rotor, wind turbine control and power electronics. Specifically, the application of serrated teeth technology to blades, developed jointly with LM Windpower, reduces noise emissions by 2 decibels.
- **Innwind.** Effort to demonstrate, using small-scale prototypes, representative of an

offshore environment, a host of technologies which go beyond the current state of the art. The technologies tested are articulated around the design of turbine concepts which depart from their onshore counterparts, the design of lightweight rotors and of electromechanical conversion systems for a 10-MW to 20-MW turbine.

- **Demowind.** This project is focused on the development of new control features designed to boost energy output in certain turbine operation and wind conditions.

Renewable energy

Gamesa is present across the entire wind value chains by means of an end-to-end, vertically-integrated model: from technology research and design to the manufacture, supply and installation of wind turbines and the operation and maintenance of wind farms, a process which includes the firm's life extension efforts.

The company complements its business with the creation of subsidiaries specialised in electric and mechanical equipment designed not only with wind power in mind but also for other markets such as the hydro-electric, industrial and nuclear power segments. In addition, Gamesa's 2015-2017 Business Plan explicitly alludes to the scope for exploring business opportunities which complement its traditional wind business, as has materialised in its entry into the solar segment in India and development of its offgrid prototype.

Wind Turbines

Gamesa manages the entire process of developing a wind turbine, from its conception and design, to its manufacture, assembly, supply, installation and commission, while also handling their subsequent operation and maintenance.

To ensure the quality of the production process, Gamesa operates a manufacturing network made up of proprietary manufacturing facilities and suppliers (for more information, refer to page 56) in the world's leading wind markets, in this manner guaranteeing a rapid and appropriate response to local needs. It also boasts a sales network with a reach in some 20 countries around the world.

In 2016, Gamesa once again ranked as one of the world's top wind turbine OEMs, with an installed base of 38,874 MW (almost 27,000 WTGs) in 53 countries.

Gamesa offers a broad and versatile portfolio of turbines designed to optimally satisfy its customers' needs and reduce the cost of energy:

- **Gamesa 2.0 MW:** A market benchmark on account of its outstanding capacity factor and high profitability levels, this platform combines a 2.0-MW generator with five different rotor sizes - diameters of 80, 87, 90, 97 and 114 metres - for optimal performance no matter the site or wind conditions.
- **Gamesa 2.5 MW:** In order to reduce the cost of energy in the 2.0-3.0 MW segment, Gamesa offers a 2.5 MW platform - the natural evolution of the 2.0 MW platform - which comes in rotor diameters of 106, 114 and 126 metres and new tower options.
- **Gamesa 3.3 MW:** This platform, launched in 2015, harnesses the technology proven in the 2.0-MW and 2.5-MW platforms by leveraging the same mechanical and electrical systems, while boosting nominal capacity to 3.3 MW. The first model, the G132-3.3 MW turbine, has blades spanning 64.5 metres and comes in four different tower heights, from 84 to 134 metres, so that it can be adapted for each region. A wind farm equipped with ten G132-3.3 MW turbines would generate sufficient equivalent energy to supply a town of around 50,000 inhabitants and prevent the emission of 49,500 tonnes of carbon dioxide (equivalent to the emissions of 16,500 cars).
- **Gamesa 5.0 MW:** This platform represents the next generation of Gamesa turbines, capable of maximising the amount of wind energy harnessed. The company has opted to apply the stringent design and validation concepts used in industries as demanding as the aeronautics sector. Its innovative modular design





and technology ensure maximum reliability while complying with the most stringent international grid-connection codes and environmental standards.

Offshore wind turbines

In early March 2015, Gamesa set up a joint venture with Areva for the development of the offshore business. This venture, called Adwen, with offices in Spain, Germany, France and the UK, combines Gamesa's and Areva's know-how and track records in the wind sector. Adwen has been 100%-owned by Gamesa since January 2017.

Adwen has an end-to-end product and service portfolio which can be adapted for each project's specific needs:

- The **Adwen 8 MW platform**, initiated by Areva and fine-tuned using Gamesa know-how.
- The **Adwen 5 MW platform**, which encompasses two complementary 5 MW turbines: the AD 5-135 and the AD 5-132.

The Wind Turbines unit also encompasses the development and construction of wind farms, a line of activity which includes all the tasks related to wind generation projects: from site identification to permitting and ultimate sale of the wind farm. The ability to develop and build wind farms on a turnkey basis sets Gamesa apart in the marketplace, particularly in markets such as India and Mexico where the company has emerged as a key player in the self-supply segment.

Operations and maintenance

Gamesa's end-to-end proposition in the wind power industry is rounded out by its operations and maintenance (O&M) services area which manage 24,311 MW for more than 400 customers in 41 countries.

These servicing capabilities are a fundamental tool for the creation of value from the development, management and profitable operation of wind projects. Against this backdrop, the company offers value-added programmes designed to maximise turbine power generation and reduce the overall cost of operating a wind farm in order to minimise the cost of energy.

- **Life extension:** a series of structural reforms designed to prolong the useful lives of turbines made by Gamesa and other manufacturers from 20 to 30 years.
- **Energy Thrust®:** a product developed by Gamesa to make its 660-kW, 850-kW and 2.0-MW platforms more efficient. This system, endorsed by the independent assurance provider DNV-GL and already implemented in 2,700 turbines in operation in 18 countries, has the ability to increase turbine output by up to 5% on average. Energy Thrust® enables adaptation of wind turbines to specific site conditions, boosting the volume of power delivered to the grid in all wind conditions and improving the efficiency and performance of Gamesa's entire fleet in the process.
- **Overhaul:** the complete reconfiguration of wind turbines' electric and electronic systems so that they can generate as much as 5% more energy; an overhaul also configures them for application of the life-extension programme features, thereby guaranteeing availability until year 30 of the turbine's useful life.
- **Advanced maintenance: ONE FOR ALL®**, innovative solutions that eliminate the need for cranes, thereby reducing the cost of major repairs considerably.
- Solutions that leverage the use of big data to improve wind asset reliability and reduce their maintenance costs.



- O&M solutions and services for the wind turbines made by other OEMs.

Technological diversification

Gamesa's technology development capabilities have fostered the creation of subsidiaries specialised in electric and mechanical equipment designed not only with wind power but also other markets in mind, such as Gamesa Electric and Gearbox.

Gamesa Electric

This company provides end-to-end and flexible electric system solutions using next-generation manufacturing processes; it is capable of mass production as well as tailored ad-hoc solutions for customers worldwide.

Gamesa's vertically-integrated model and its technology development capabilities have enabled it to establish itself as a global benchmark in the provision of electric power equipment for energy segments such as the photovoltaic, hydro-electric, nuclear, electric traction and marine propulsion markets, as well as wind. With over 25 years of experience and proprietary technology, Gamesa Electric is a pioneer in the power electronics market, and has over 80 years' experience manufacturing electric motors and generators.

Gearbox

This unit custom designs, makes and sells gearboxes for businesses with stringent operating demands; it also provides support services to extend gearbox lives.

Gamesa's strategy is to extend the useful life of gearboxes by fully reconditioning them rather than merely putting them back together (i.e., simply replacing the damaged parts with new ones, securing a useful life equivalent to the period until the first fault at best).

Gearbox's operations and productive and organisational structures are flexible and collaborative, giving it the ability to act and adapt to external changes swiftly in terms of new model designs and updates to existing products.

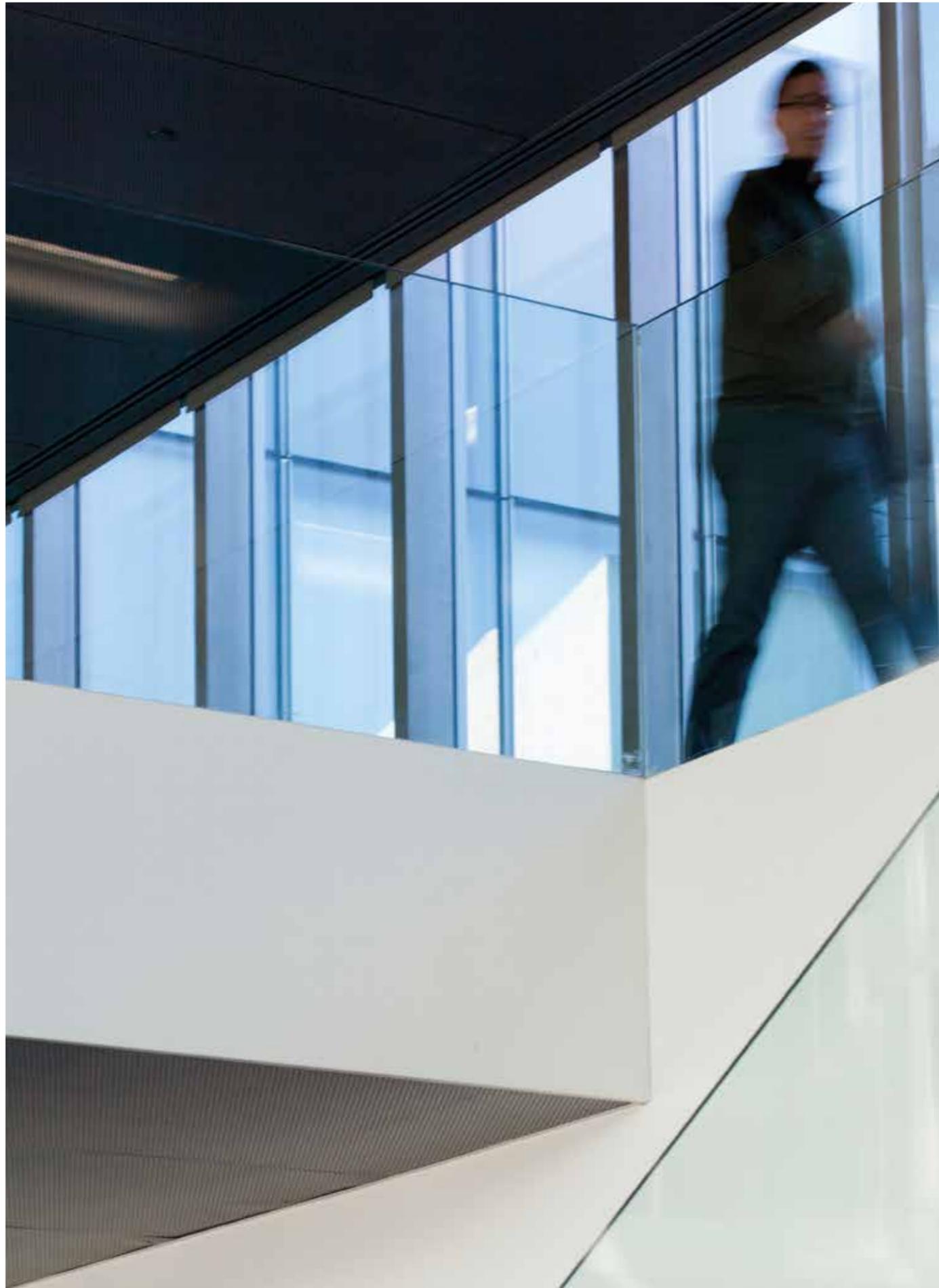
Solar

Gamesa has made a strategic commitment to the solar power market in India, one of the targets laid down in the company's 2015-2017 Business Plan. India's solar potential has been sized at 750 GW. The government's goal is to lift installed capacity to 100 GW by 2022, compared to 3.8 GW today. Gamesa has already installed nearly 70 MW since entering the Indian solar market in 2015.

Offgrid

The idea underpinning this new line is to service communities and industries isolated from the electricity grid. With this objective in mind, Gamesa has developed its first offgrid prototype; it combines wind and solar power generation with diesel and storage battery fuelled power.

In 2016, the company achieved a new milestone in the development of this technology when it installed and commissioned a lithium battery with the ability to store 429 KW in the prototype in place in La Muela (Aragón).



4

Corporate governance
and risk management





Corporate governance

Throughout 2016, the company continued to strengthen its corporate governance strategy, which is articulated around the principles of transparency and independence, to guarantee managerial excellence and safeguard the legitimate interests of its various stakeholders.

Among other initiatives, it is worth highlighting the measures taken in respect of the merger with Siemens Wind Power designed to reinforce the government regime, in keeping with best practices and international standards.

More specifically, an Extraordinary General Meeting was called for 25 October to ratify a series of changes to the composition of the Board of Directors, subject to the transaction's close.

Firstly, the size of the Board of Directors will be increased, from 12 members at present to 13. Moreover, a significant increase in the number of female directors was ratified. Four new female directors of different nationalities will join the board after the merger closes: Rosa María García, Mariel von Schumann, Lisa Davis and Swantje Conrad. This marks solid progress towards boardroom parity as 46% of the seats on the company's highest governance body will be held by women.

These appointments will put the company ahead of its target of having 30% female boardroom representation by

2020 and ahead of the level urged in Recommendation No. 14 of Spain's Code of Good Governance for Listed Companies.

Governing bodies: the Board, its Committees and the AGM

Gamesa's governance is articulated around two bodies: the Board of Directors and the Annual General Meeting.

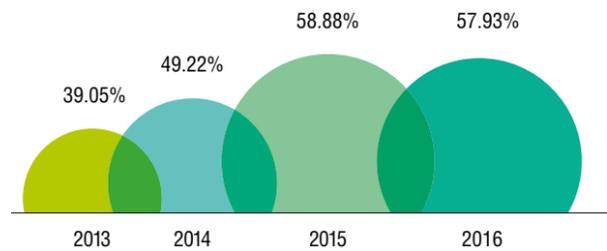
The **Board of Directors** is Gamesa's highest decision-making body, except in respect of the matters requiring shareholder vote. The board performs general supervisory duties and establishes the company's general strategies and policies with the overriding aim of generating value for its shareholders and other stakeholders. Its operations and remit are regulated in the Board Regulations.

In order to carry out its duties, the board is assisted by an Executive Committee, which has been vested with general decision-making powers, and three expert committees: the Audit and Compliance Committee, the Appointments Committee and the Remuneration Committee.

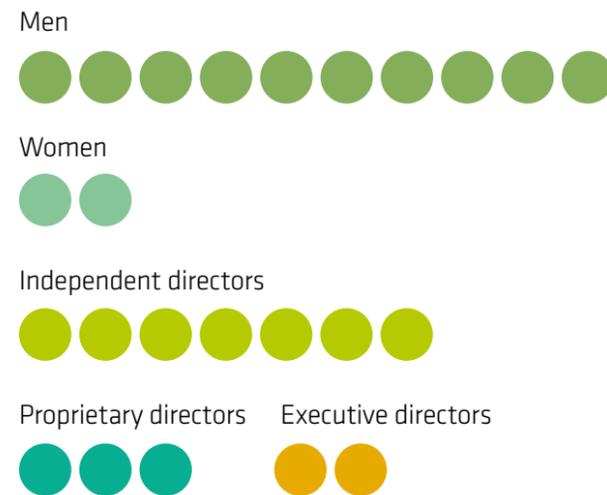
Gamesa's board composition is balanced. It currently comprises 12 directors, two of whom are executive, with the remaining 10 external. Of the 10 external directors, seven are independent and three are proprietary.

All the directors stand out for the professional, ethical and independent manner in which they perform their duties. The board combines directors with extensive financial track records and others with a more industrial background.

AGM quorums in prior years



Composition of the Board of Directors



The **Annual General Meeting** is the meeting at which, subject to the required quorum, the company's shareholders decide by majority vote on the matters falling within their purview. All shareholders are bound by the resolutions ratified at the Annual General Meeting.

Director selection

By means of multiple evaluation processes, Gamesa's Board of Directors identifies the profiles and skills needed for optimal performance. Candidates who bring knowledge of Gamesa's business in all its dimensions - economic, environmental and social - in Spain and abroad, are highly valued in this respect.

The Appointments Committee is tasked with performing these director selection policies, following the guidelines laid down in the company's 'Director Selection Policy', which is articulated to ensure candidates are honourable, in good standing, skilled and experienced. The board regulations stipulate that the majority of directors be external - including proprietary and independent directors - relative to executive directors.

As for boardroom gender diversity, following the appointments ratified at the October Extraordinary

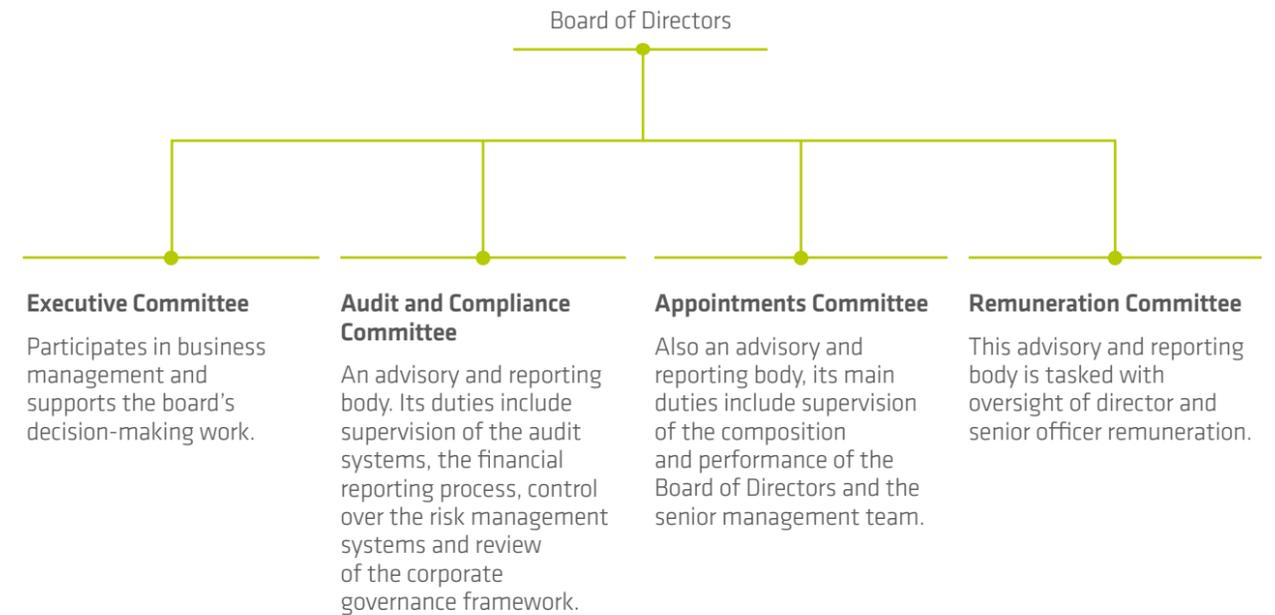
General Meeting, which are conditional upon the close of the merger between Gamesa and Siemens Wind Power, Gamesa will actually exceed its target of having 30% female representation by 2020. Once these appointments are effective, some 46% of the company's board members will be female.

Conflicts of interest

Gamesa prioritises transparency in its market and shareholder reporting effort. The Annual Corporate Governance Report itemises the mechanisms in place to detect and resolve potential conflicts of interest between Gamesa and its directors, officers or significant shareholders. In addition, the notes to the company's annual financial statements disclose the transactions involving conflicts of interest that were authorised by the Board of Directors, along with any conflicts of interest arising in the course of the financial year to which the statements relate.

Under the Board Regulations, if a director is party to a conflict of interest, he or she must notify the board of such situation, via its chairman, and refrain from participating in debates, votes, decision-making and execution with

Annual General Meetings



Executive Committee

Participates in business management and supports the board's decision-making work.

Audit and Compliance Committee

An advisory and reporting body. Its duties include supervision of the audit systems, the financial reporting process, control over the risk management systems and review of the corporate governance framework.

Appointments Committee

Also an advisory and reporting body, its main duties include supervision of the composition and performance of the Board of Directors and the senior management team.

Remuneration Committee

This advisory and reporting body is tasked with oversight of director and senior officer remuneration.

Board committees

Executive committee

Position	Name	Class of director
Chairman	Ignacio Martín	Executive
Members	Juan Luis Arregui	Independent
	José María Aldecoa	Independent
	Luis Lada	Independent
	Gerardo Codes	Proprietary

Audit and compliance committee

Position	Name	Class of director
Chairwoman	Gloria Hernández	Independent
Members	Sonsoles Rubio	Proprietary
	José María Vázquez	Independent
	José María Aracama	Independent

Appointments committee

Position	Name	Class of director
Chairman	Andoni Cendoya	Independent
Members	José María Aracama	Independent
	Francisco Javier Villalba	Proprietary

Remuneration committee

Position	Name	Class of director
Chairman	Andoni Cendoya	Independent
Members	Juan Luis Arregui	Independent
	Francisco Javier Villalba	Proprietary

i Further information on the composition of the governance bodies can be found in the Annual Corporate Governance Report and on Gamesa's corporate website.



In-house rules and regulations

- Bylaws
- The General Meeting Regulations
- The Board Regulations
- Regulations of the Audit and Compliance Committee
- Regulations of the Appointments Committee
- Regulations of the Remuneration Committee
- Internal Regulations for Conduct in the Securities Market
- Code of Conduct

Corporate policies:

- Corporate governance and compliance policies
- Risk management policies
- Social responsibility policies

regard to transactions and matters in which they have a vested interest.

The mechanisms for detecting and resolving potential conflicts of interest are upheld by the following bodies:

- The Audit and Compliance Committee: reports on transactions which may imply conflicts of interest.
- The Remuneration Committee: reports on these transactions when they entail a release from compliance with directors' contractual obligations.
- The Board of Directors or the Annual General Meeting, as the case may be: authorises transactions which may imply conflicts of interest.

Director performance

In 2016, Gamesa evaluated the board in terms of composition diversity; committee effectiveness and composition; fulfilment of its duties and engagement with other governance bodies; and the individual performance of each of its directors, including an analysis of their skills development.

This evaluation process was undertaken with the assistance of external consultants and took the form of working sessions involving the Appointments Committee and its Secretary and the areas of the company responsible for corporate governance, a review of Gamesa's in-house rules and regulations and, lastly, a benchmarking exercise in respect of best corporate governance practices.

Remuneration policy

Remuneration of Gamesa's directors and senior officers is regulated in the company's bylaws and board regulations and is articulated around the principles of proportionality and transparency.

The members of Gamesa's Board of Directors receive a fixed annual payment, which depends on the committees they sit on, plus a fee for every board and committee meeting they attend.

For performance of his executive duties, the Chairman & CEO also receives a fixed salary, an annual bonus and

a medium/long-term bonus. Both bonuses are tied to delivery of specific, quantifiable objectives aligned with Gamesa's corporate interests. The Board of Directors, at the recommendation of the Remuneration Committee, is responsible for determining the level of delivery of these targets.

 Further information about Gamesa's remuneration policy can be found in the 2016 Remuneration Report and on Gamesa's corporate website.

Risk control and management

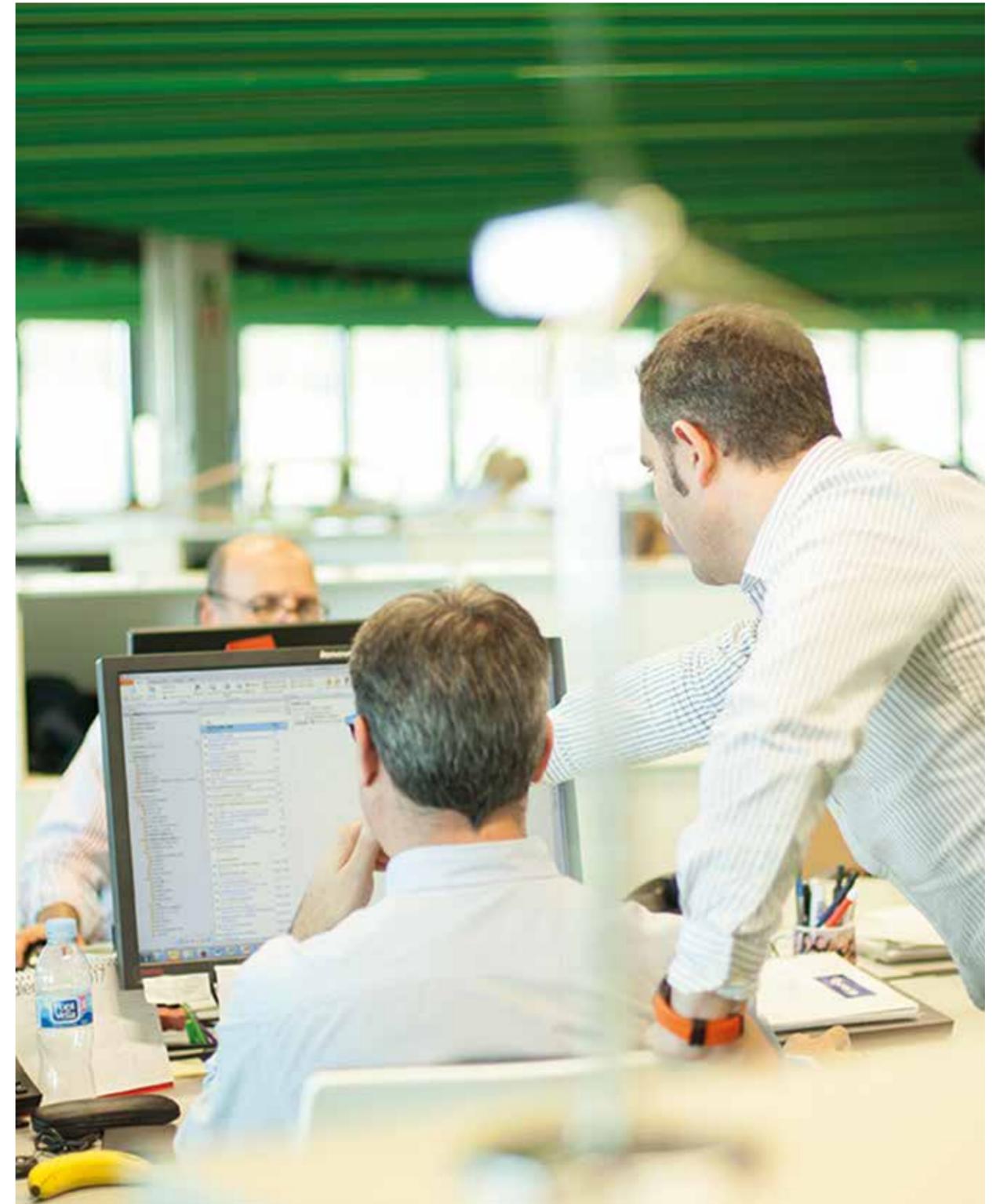
Gamesa has a General Risk Control and Management Policy which establishes the general framework for monitoring and managing the risks to which the company is exposed. The key objectives of this policy are to ensure compliance with the law, regulations, rules and contractual obligations to which the company is bound and to underpin its performance on all dimensions.

In addition, the company has other policies and procedures designed to maximise and protect its value from an economic, social and environmental perspective, establishing risk tolerance thresholds as required.

Gamesa uses an Enterprise Risk & Opportunities Management (ERM) model to control and manage its

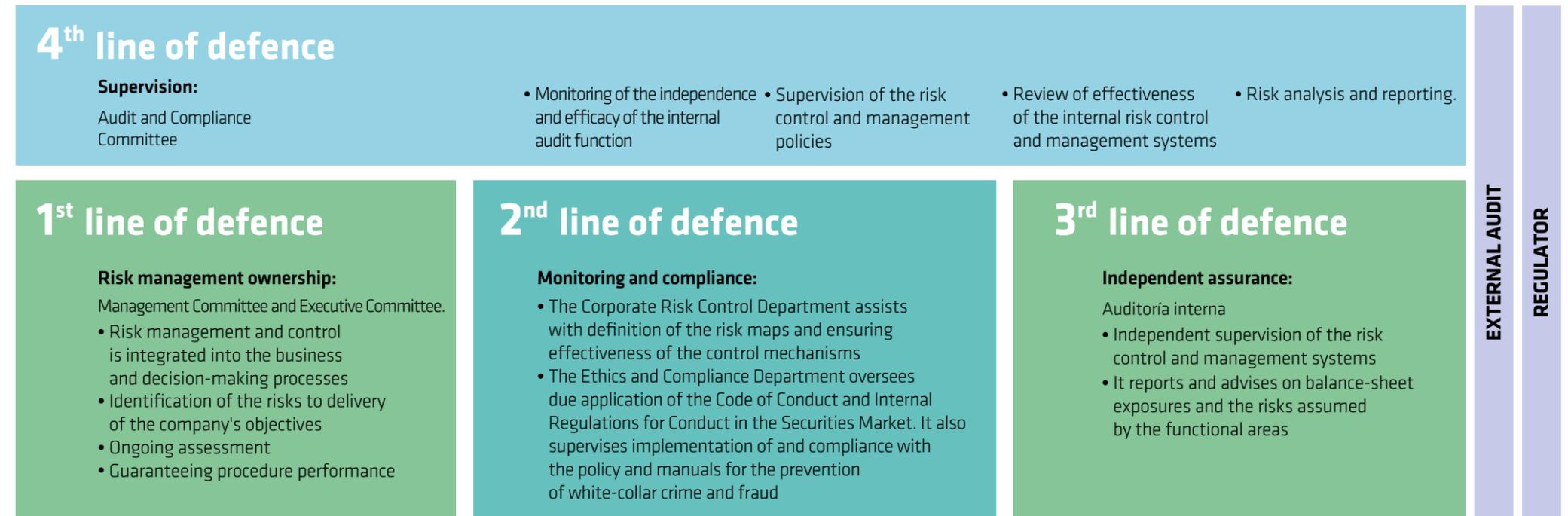
risks. The ERM stems from the guidelines established in the regulations governing the Board of Directors and its steering committees and is based on renowned international methodologies.

The core ERM system was approved by the Board of Directors in 2015 and establishes the guidelines and general framework underpinning the key elements of the ERM so that a common set of standards is upheld: management objectives and philosophy, dynamic identification, aggregation, evaluation, mitigation and control of risks, risk tolerance thresholds, communication, reporting and supervision, integrity, business ethics, skills and the allocation of related responsibilities.



In this manner, the ERM is articulated around an organisational structure comprising four lines of protection and defence, designed to enable the firm to tackle and manage its significant risks and opportunities, as depicted in the image on the right.

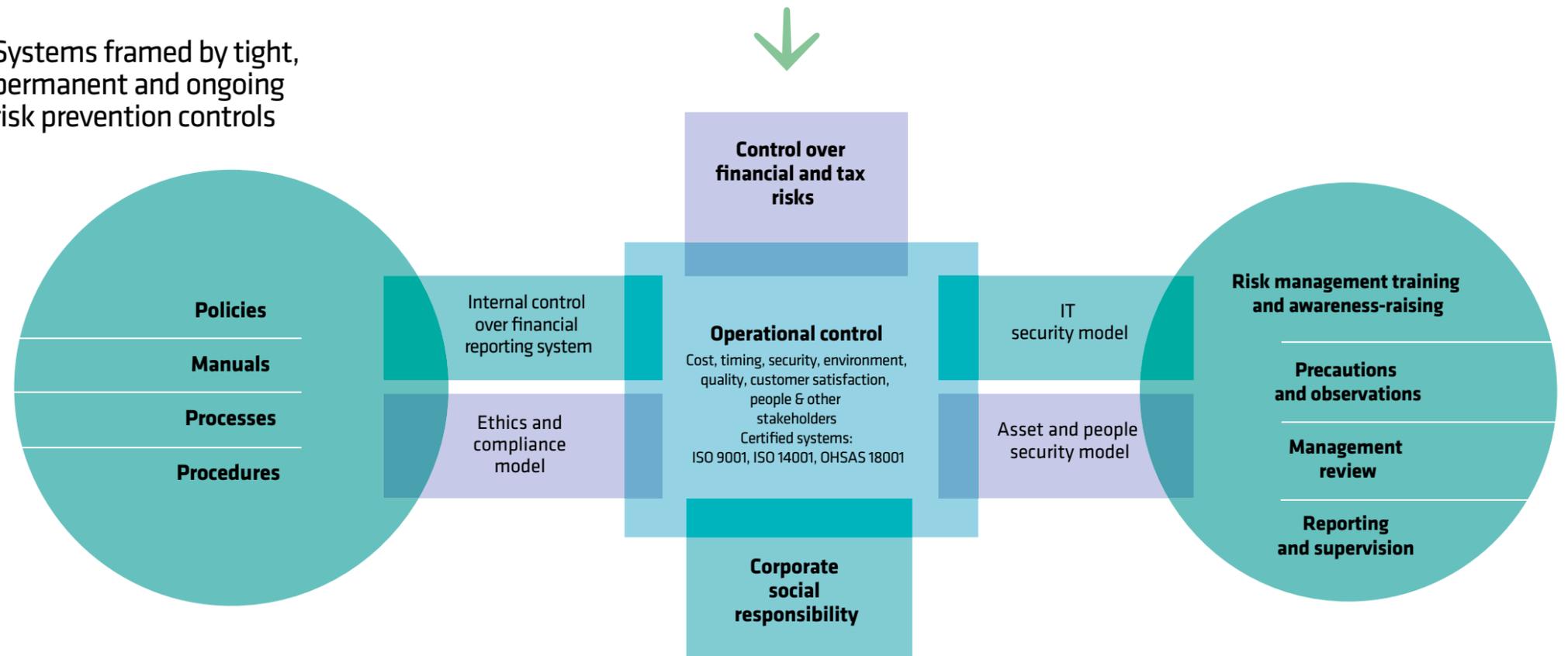
Lines of defence



Systems framed by tight, permanent and ongoing risk prevention controls

Establishment of the internal and external context in which Gamesa carries on its business activities, framed by proactive and process-embedded risk management, is accompanied by risk tolerance thresholds and permanent and continuous controls over the main components of the ERM system (financial, tax, operational, financial reporting, IT security, ethics and compliance and CSR related risks), which take the form of specific policies and indicators.

Between these limits and controls lies delivery of the targets set out in the prevailing Business Plan, which must be achieved while stringently and unwaveringly complying with the law and the company's corporate governance rules, most particularly those embodied in the Code of Conduct, in the principles and good practices outlined in the Corporate Tax Policy and under the company's zero-tolerance stance towards illicit conduct and fraud, as laid down in its policy for the prevention of white-collar crime and fraud.



Key risks and their control

As a general rule, Gamesa's risk management and control policy defines risk as any threat in the form of an event, development or omission that could prevent the organisation from achieving its business objectives and/or executing its business strategies successfully, which is why the firm's risk management and control systems are integrated into the strategy planning and target-setting process; in this manner they contribute to the creation of value for the company's various stakeholders and to its sustainable and profitable development.

In deploying its strategic and business plans, Gamesa faces a series of risks and opportunities that are intrinsic to the sector in which it operates and the countries in which it does business that could jeopardise delivery of the targets enshrined in the current 2015-2017 Business Plan.

The main risks to which the company is exposed, which were systematically monitored throughout 2016, along with the associated responses and permanent control and supervision systems, are grouped into four categories:

Strategic and business environment risks (externals)

Risks	Control and mitigation mechanisms
Country and global risk	<ul style="list-style-type: none"> • Security model designed to guarantee the continuity and safety of the business, people and assets in the countries in which the company operates by means of early alerts (economic, social, political, natural, health), contingency and emergency plans and risk management procedures.
Tax risks	<ul style="list-style-type: none"> • A host of mechanisms established in the framework tax risk control and analysis rules. • Regular reporting to the company's governing and supervisory bodies on compliance with best tax practices. • Application of the Corporate Tax Policy.
Price pressure	<ul style="list-style-type: none"> • Tracking of developments on the technology and regulatory fronts, market and demand shifts and other political changes.
Sector consolidation and growth beyond 2017	<ul style="list-style-type: none"> • Merger agreement with Siemens Wind Power for the combination to two highly complementary companies in terms of markets, businesses, customers, product portfolios and operating and management capabilities, translating into the ability to deliver a benchmark CoE.

Risks relating to the information used to take decisions or disclosed for legal reporting purposes

Risks	Control and mitigation mechanisms
The risk that the company's financial information is not reliable and/or completed	<ul style="list-style-type: none"> • The ICFR system uses a 'top-down' control model for risk identification purposes. • The controller and finance departments perform a series of controls to ensure the reliability of the information used in the period-end consolidation and financial reporting processes. • The Board of Directors is tasked with supervising and approving the financial statements submitted to the regulator and disclosed to the market.

Corporate governance, ethics and compliance related risks

Risks	Control and mitigation mechanisms
Risks associated with control over compliance with the company's corporate governance rules:	<ul style="list-style-type: none"> • The Code of Conduct was updated in 2016 and training was provided to all employees. • Tailored crime prevention manuals which include specific detection and prevention controls. • Whistle-blowing channel which allows employees to confidentially report breaches of potential significance.

Process risks or risks derived from the company's activities (product-services)

Operational risks	Control and mitigation mechanisms
Risks related to the supply chain:	<ul style="list-style-type: none"> • Ongoing monitoring and control to proactively track the potential effects an incident at a supplier of critical parts or services could have. • Control over single suppliers. • Supplier audits. • Control via the Achilles programme. • Ethics and compliance checks.
Risks related to the competitiveness of the product and service portfolio and improving the company's positioning in mature markets:	<ul style="list-style-type: none"> • Mitigated by delivering the product development plan. • Optimisation of the start-up curve and profitability in terms of the CoE. • First order for the G132-3.465 MW; G126-2.5 MW, named best WTC of the year by <i>Windpower</i>.
Risks related to IT security, including potential cyber attacks:	<ul style="list-style-type: none"> • IT security model: back-ups, physical access controls at the Data Processing Centre, internal and external logical access controls, controls over software maintenance and installation and controls over the segregation of duties.
Risks susceptible to underwriting by third parties:	<ul style="list-style-type: none"> • Insurance policies. • External certification (ISO 9001, ISO14001, OHSAS 18001).
Financial risks	Control and mitigation mechanisms
Exchange rate risk:	<ul style="list-style-type: none"> • Increased local sourcing. • Hedging by means of derivatives. • Ongoing monitoring of open exposures to exchange rate variability while complying at all times with overall exchange rate hedging limits.
Market risk (price)	<ul style="list-style-type: none"> • Risk passed onto customers via sales contract clauses.
Market risk (interest rate)	<ul style="list-style-type: none"> • Regular assessment of exposure via borrowings to rate and term risk.
Liquidity risk	<ul style="list-style-type: none"> • Maintenance of cash and highly-liquid, short-term and non-speculative instruments with top-notch financial institutions. • Maintenance of a debt profile to match the nature of the commitments to be financed.
Credit risk	<ul style="list-style-type: none"> • The company sells its products and services to customers with suitable credit histories; these customers' creditworthiness is duly analysed. • If a given customer does not have a credit rating, other mechanisms are used, such as irrevocable letters of credit and credit insurance, to ensure collection. • Analysis of customers' financial solvency.
Risks that could jeopardise the company's balance sheet health and/or earnings performance:	<ul style="list-style-type: none"> • Continual cash flow monitoring. • Control over the working capital requirement. • Monitoring and control of financial needs and attendant compliance with covenants.

 Further information can be found in section E of the Annual Corporate Governance Report.

Business ethics and transparency

Gamesa strives to foster a preventative culture underpinned by a zero-tolerance stance on illicit or fraudulent conduct. In pursuing its business activities, the company upholds and defends solid governance principles based on corporate transparency, mutual trust between the company and its shareholders/investors and the outright rejection of corruption.

Gamesa oversees application of its Code of Conduct and the Internal Regulations for Conduct in the Securities Markets and supervises implementation and compliance with the policy, programme and implementing manuals for the prevention of white-collar crime and fraud at the company.

Code of Conduct training

The Code of Conduct, which is reviewed periodically, embodies and evidences Gamesa's commitment to ethical conduct and transparency in everything it does by establishing a host of principles and rules of conduct designed to guarantee the ethical and responsible behaviour of all Gamesa professionals in the course of carrying out their activities.

In 2016, Gamesa's Ethics and Compliance Department focused its efforts on promoting the corporate ethics culture and training the company's employees on the Code of Conduct and related manuals. To this end, it organised a number of events, most notable among which:

- The provision of 110 briefing sessions to over 2,400 professionals in Spain, Italy, Brazil, the US and Mexico covering the Code of Conduct, the Conflict of Interests Prevention Rules, the Crime Prevention Model and the Whistle-Blowing Channel.
- To educate employees about the cornerstones of Gamesa's business ethics culture, management conducted an awareness campaign which included a brochure and a business card listing the different channels for reporting any potentially illicit or irregular conduct observed.
- It also distributed posters featuring the slogan *Your commitment, our commitment; Our ethics, your ethics* and published related content on the intranet.
- Participation in a number of events organised by the world of academia such as the University of Castile-La Mancha and the National Compliance

Congress and in training programmes such as that run by International Transparency, a non-government organisation devoted to combating corruption all over the world.

The effort to fight fraud

Gamesa combats corruption in all its forms and works to establish the best guidelines for governing individual conduct and the processes defining how work is performed and decisions are taken.

Some of these measures were created, revised and updated in 2016, reinforcing Gamesa's commitment in this area. By way of example, a section of the Code of Conduct was devoted exclusively to the effort to combat fraud and the zero-tolerance stance on corruption and bribery. The map of corporate crime risks and controls was similarly updated in a number of countries and clauses were added to contracts specifically prohibiting corruption in all its forms.

Human rights

The company has explicitly committed to upholding human rights and this pledge is enshrined in its Corporate Social Responsibility and other corporate policies, such as its Diversity and Inclusion Policy and its Supplier Contracting and Relations Policy. To put this culture into practice, the Code of Conduct regulates specific human rights related behaviour, establishing oversight mechanisms and disciplinary measures.

Gamesa also works to eliminate child labour (labour by any child at an age at which he or she is required to be in school) and all forms of forced labour. It has put in place the policies, commitments, procedures and measures necessary to minimise this risk. The importance attributed to these fundamental labour rights is enshrined in the company's Code of Conduct.

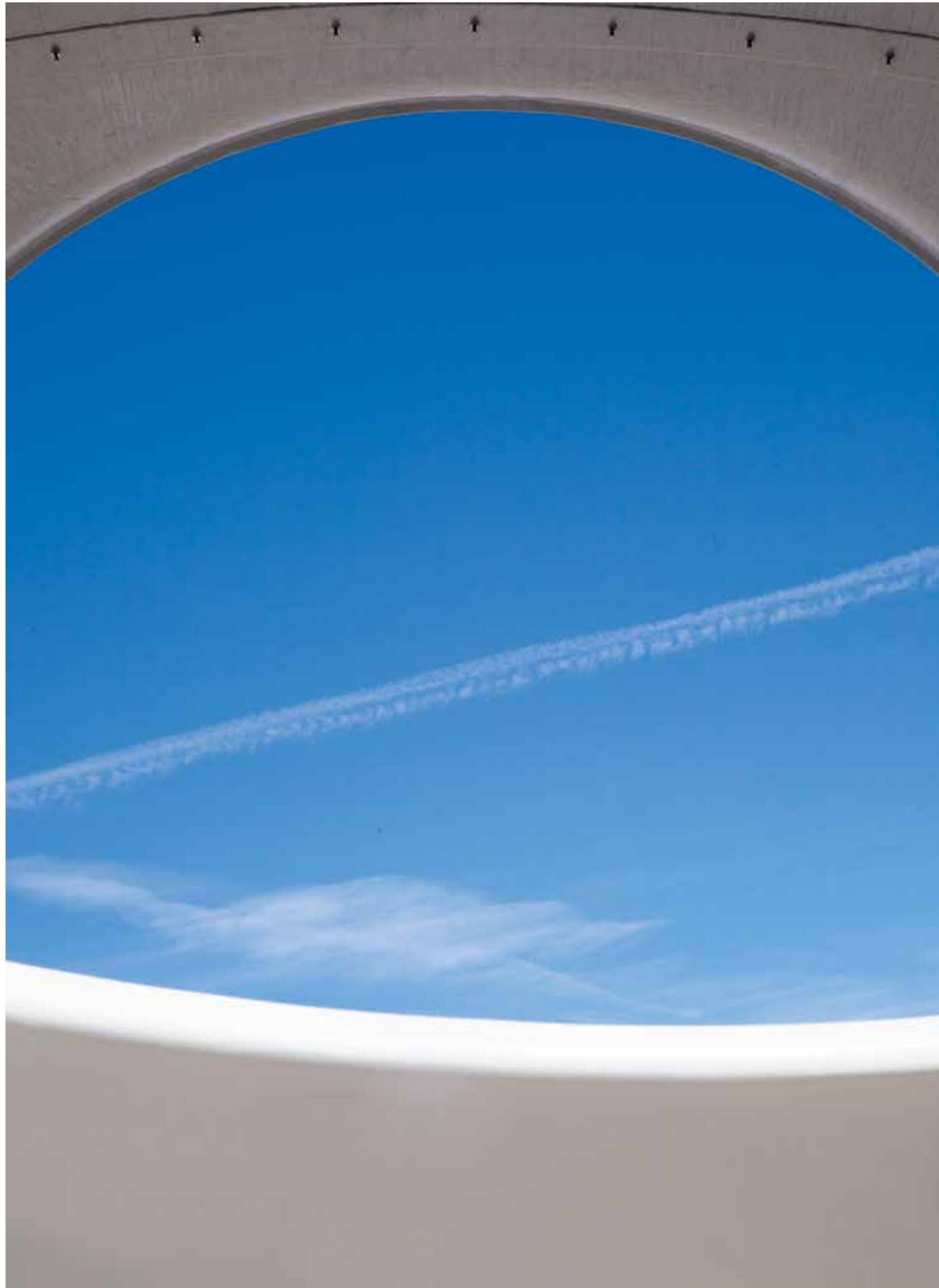
Social responsibility on the part of suppliers

Gamesa's efforts to combat fraud and corruption and ensure protection of basic human rights extends to the company's suppliers by explicitly including a clear-cut stance against fraud and corruption in its general purchasing terms and purchase agreements. The aim is to ensure that all suppliers dealing with Gamesa embrace the company's principles, values and codes, while also endorsing the firm's Supplier Contracting and Relations Policy.



In addition, these general clauses and master supply agreements include specific corporate social responsibility clauses which are binding upon the supplier and are based on the United Nation's Universal Declaration of Human Rights, the World Labour Organisation's conventions and the Global Compact Principles. To guarantee that suppliers comply with these obligations, Gamesa evaluates its suppliers' potential human rights risks by means of quality controls and periodic audits.

i For further information about this chapter, refer to section D.6 of the 2016 Corporate Governance Report and sections G4-12, G4-HR10, G4-S7 and G4-S8 of the 2016 Corporate Social Responsibility Report. The corporate policies and Code of Conduct referred to in this chapter are also available on Gamesa's website.



Engaging with
its surroundings

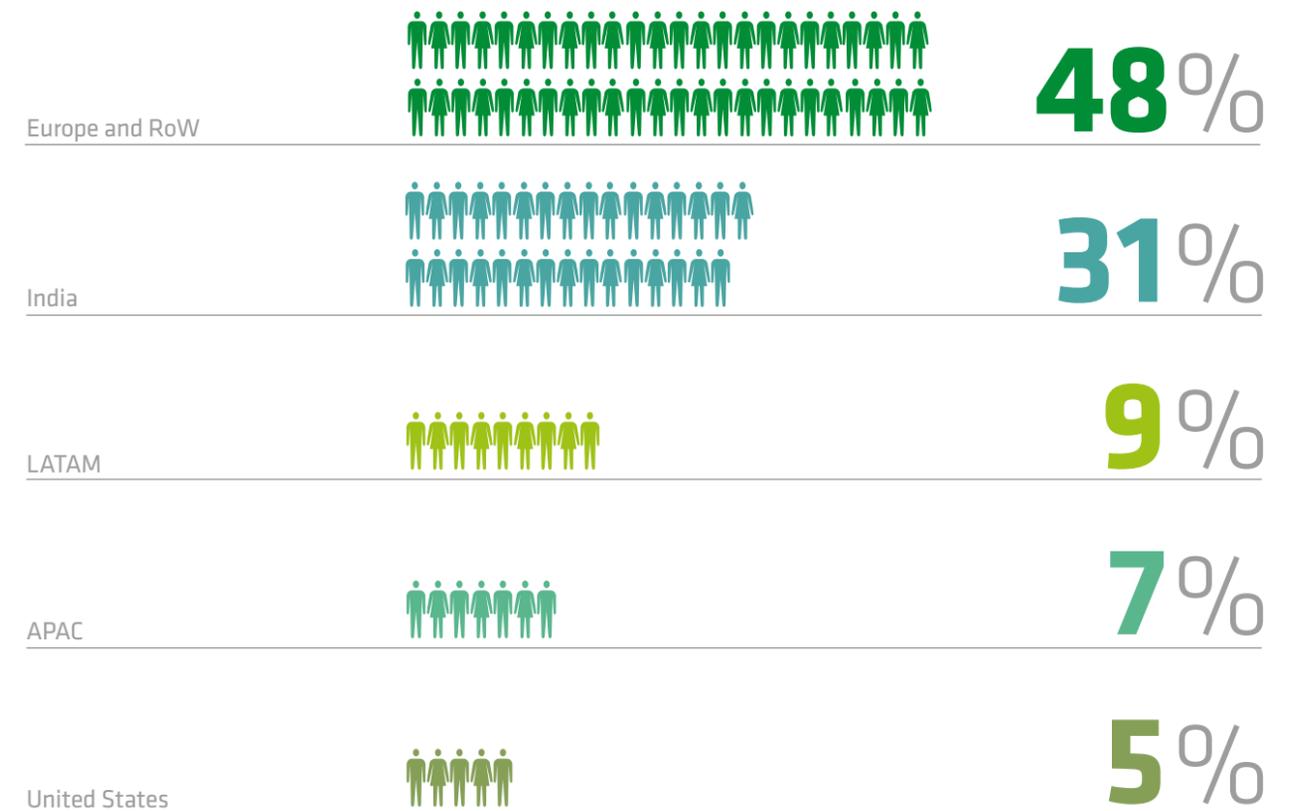
5



Employees



Geographic breakdown of headcount



Gamesa's employees are its most valuable asset and a key enabling success factor in the company's 40th anniversary. The organisation is committed to providing them with training and job opportunities in a safe and healthy environment. It respects their diversity and fosters communication with them. The key strategic initiatives of the firm's Human Resources policy pivot around the company's people, its organisational development and knowledge management.

The Human Resources Department seeks to create an increasingly cross-cutting and flexible organisation articulated around basic business processes, thereby facilitating rapid decision-making.

At year-end 2016, the company's headcount stood at 9,100, up 23% year-on-year. Over the course of the year, Gamesa hired 1,700 people, 61% of whom under the age of 30. Employment rose across all regions. However, the pace of hiring in Latin America and India stands out; indeed, India was home to 72% of the new hires, reflecting the significant growth in business volumes in this market.

Committed to talent

Gamesa has global hiring policies which define all the selection process milestones and are based exclusively on professional criteria. In this manner, it guarantees optimal

management of the various phases of the talent selection process, from candidate recruitment to evaluation, hiring and subsequent incorporation.

The hire of local talent in its various operating markets has always been a focal point of the company's selection policy. As a result, 83% of Gamesa's management positions are held by local professionals.

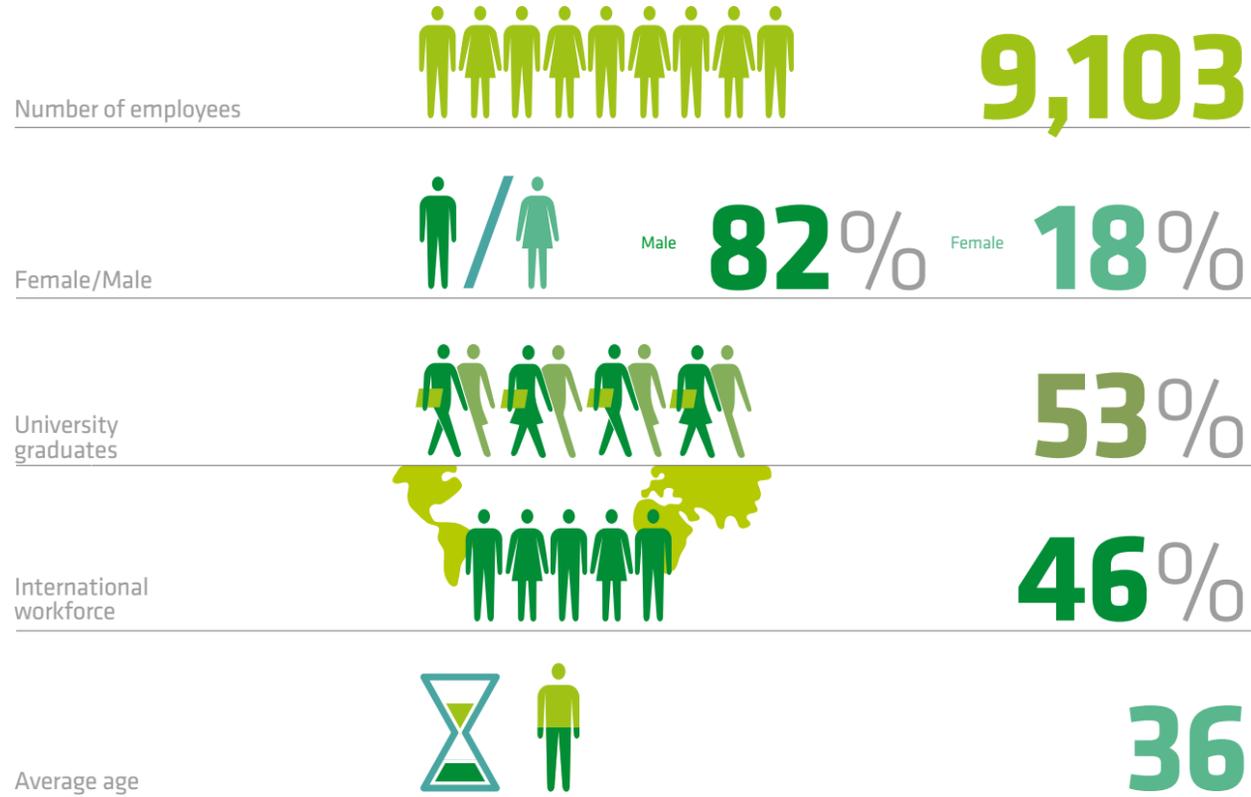
In parallel, with a view to fostering the transfer and cross-fertilisation of its know-how and in response to the company's international expansion, Gamesa champions international mobility; the chance to be reassigned to a new market for a long stay was availed of

by 124 employees in 2016, up 25% from 2015, while a further 1,100 are on short-term international assignments.

In 2016, the company rolled out Gamesa Talent Environment (GATE), the firm's new end-to-end talent management tool, created with the aim of boosting and facilitating employee career development and centralising all HR information in a single portal.

On the training front, in 2016, the company earmarked over 330,000 hours to courses, nearly twice the number of hours imparted of 2015. This means that on average every Gamesa employee received nearly 41 training hours in 2016.

Social and environmental figures



These activities include the programmes run by Gamesa Faculty, a centre focused on ensuring continual learning by covering the needs created by constant technological evolution and developments in the wind power sector. The Faculty provides service in-house to all Gamesa employees all over the world from a central training centre in Spain and permanent local training centres in the US, China, India and Mexico, as well as providing training to third parties (301 non-company individuals received training in 2016). Performance evaluation - a process which covers 60% of Gamesa's employees - is key to determining employees' training needs. In addition, in 2016, the company continued to provide the career development and talent scouting programmes implemented in 2014:

- The High Potential Candidates Programme, designed to accelerate the development and training of promising talent.
- The Gamesa Leadership Programme, designed to enhance the skills and attitudes needed to work on complex projects and in international environments, and also to boost and facilitate knowledge-sharing throughout the entire organisation.
- The internal mentoring programme, targeted at key top-performing and highly-promising professionals.
- The Gamesa Premium Scholarship Programme, an initiative designed to get young graduates involved in company projects, giving them responsibilities and duties within a multi-disciplinary team.



- Gamesa 360: internal training courses focused on technical skills while entrenching knowledge of the business model and organisational processes.
 - The company's Comprehensive Course Catalogue comprises over 100 training courses divided into four major topics: skills, technical knowledge, health and safety and languages.
- Remuneration and compensation policy are also crucial tools in attracting and retaining the best professionals. This system is designed to boost individual performance and reward employees for their hard work and commitment, while ensuring fair and competitive pay. Gamesa's remuneration model is based on the equal opportunities principle in order to prevent any form of discrimination, ensure compliance with labour laws

in all its operating markets and fairly reward its employees for their efforts.

Diversity and equal opportunities
Professionals of 56 different nationalities work side by side at Gamesa. This diversity of cultures, ethnic groups, beliefs and languages enables the company to be more innovative, creative, sensitive and committed to society. The organisation's commitment to equal opportunities, respect for diversity and its zero-tolerance stance on discrimination - expressly enshrined in the company's Code of Conduct - form the foundation of Gamesa's cross-cutting Diversity and Inclusion Policy, which applies in all its operating markets.

These pledges were reinforced in 2016 by means of:

- The Diversity Charter: in 2016, the company renewed its membership of this initiative, promoted by the Diversity Foundation and championed by the European Commission and Spanish Ministry of Equality; signature of this Charter commits Gamesa to compliance with equal opportunities and anti-discrimination legislation.
- Execution of several collaboration agreements with Spain's Ministry of Health, Social Affairs and Equality:
 - To encourage boardroom gender balance. At Gamesa, at least 30% of board members must be female.
 - To increase the percentage of women in executive positions and on management committees. To this end the company has set itself the target of increasing the number of women in pre-management positions from 19% to 25% and in management positions (including the female presence on the management committee) from 9% to 20% by 2018.
 - To promote awareness about gender violence and help victims of domestic violence to find work.
- In the US, the company sponsors the women's association associated with Women of Wind Energy (WoWE). The association promotes the training, career development and promotion of women with the aim of building diversified workforces in the renewable energy sector.

These initiatives emanate from Gamesa's signature in 2010 of the UN Women's Empowerment Principles. Those principles, developed by means of an international multi-stakeholder consultation process and the result of a collaboration between the United Nations Development Fund for Women (UNIFEM) and the United Nations Global Compact, provide a perspective on gender matters that enable businesses to measure and analyse their initiatives and progress.

In addition, in Spain, as part of Gamesa's second Equality Plan, two new work-life balance measures were introduced: firstly, the opportunity to work from home from week 32 of a pregnancy, to the extent compatible with the woman's job duties; and secondly, the introduction of irregular working hours for professionals availing of reduced working hours for reasons of legal guardianship, ensuring their daily presence and again, so long as the job duties and workplace circumstances so permit.

Labour relations

Relations between Gamesa and its employees are regulated by the labour regulations prevailing in each country and the collective bargaining agreements entered into with the workers' representatives, as warranted.

In Spain there are 37 works committees, which the company met with on 307 occasions in 2016; the company also holds round-table events to address their specific needs, such as the psychosocial risk assessment and training.

The negotiation committee met on 17 occasions in 2016, an effort that concluded with the execution of the first collective bargaining agreement covering corporate office staff in Spain; this agreement was published in the Official State Journal on 4 August 2016. This agreement marks a milestone for the company as it establishes a single set of employment terms and conditions for nearly 2,000 employees. In parallel, management continued to meet regularly with the unions or their representatives at Gamesa.

Elsewhere, the committee set up to monitor the Global Labour Agreement signed with the firm's main Spanish unions and IndustriALL Global Union continued its work, meeting three times in 2016.

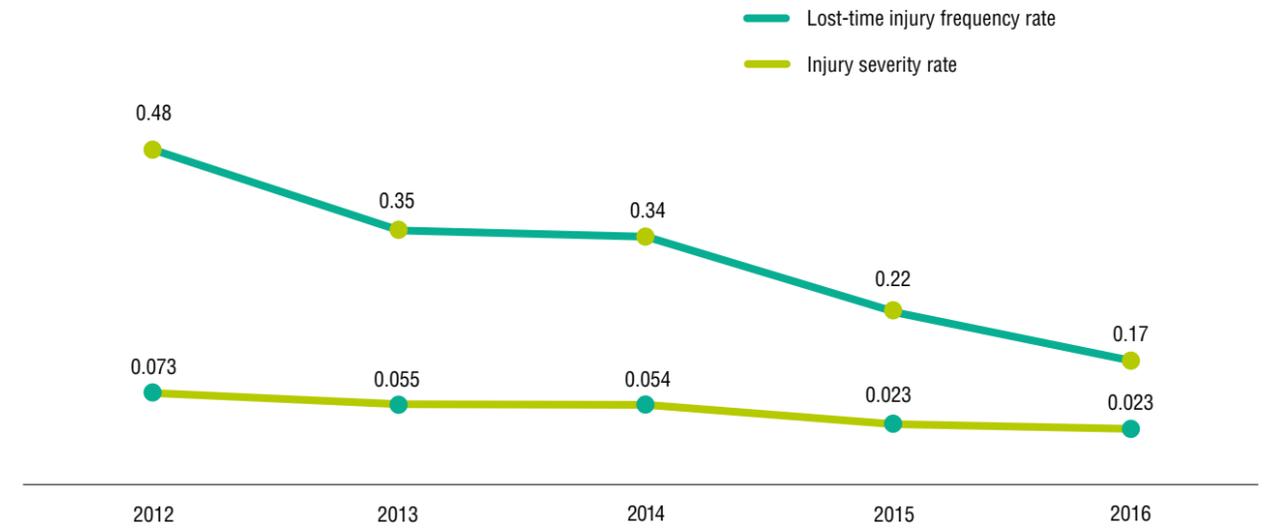
Outside of Spain, management and employees continued to communicate actively

- In Mexico, all operations are covered by the agreement signed with the sector union, SUTERM.
- In Brazil, six agreements were signed covering remuneration, working hours and workday flexibility.
- In the US, meanwhile, the company has two collective bargaining agreements, one covering the Services warehouse staff in Fairless Hills and the second covering the centre in Ebensburg.

Health and safety excellence

The company actively promotes an accident prevention policy and culture to ensure workplace health and safety, to which end it complies with prevailing legislation in each market and establishes as many preventative measures as are needed. Guided at all times by the criteria of excellence and continuous improvement, the company applies an integrated health and safety, environment and quality management policy which meets stringent international standards.

Health and safety performance indicators



Gamesa delivered a further reduction in its accident rates in 2016, extending the trend of recent years and marking an all-time low. Notably, the lost-time injury rate fell significantly.

In addition, Gamesa received the National Prize for Workplace Safety (17th edition of the Diplóos Award) which is awarded annually by the APA (acronym in Spanish for the Association for the Prevention of Workplace Accidents), an entity devoted to fostering and encouraging studies and publications and the adoption of measures designed to enhance working conditions.

The organisation has an OHSAS 18001-certified global workplace health and safety management programme which is helping to reduce accident rates while boosting productivity and fostering a culture of prevention.

Gamesa proactively analyses the causes of its accidents and tracks other performance indicators, evidencing

how entrenched its safety philosophy is in its everyday management, as demonstrated in the following figures:

- 99 full audits
- 967 specific training initiatives
- 100% of accidents/initiatives investigated
- 10,463 safety inspections and 4,380 planned preventative actions
- 96.6% compliance in medical check-ups

Further information can be found in section 11.a of the 2016 Corporate Social Responsibility Report.

Customers



Gamesa works tirelessly to respond to its customers' needs and expectations optimally, reliably and competitively. To this end, the company seeks to identify the matters of priority importance in measuring customer satisfaction, enhance the channels it uses to engage with customers and make its product and service proposition as high quality as possible, factoring in changes in the economic, social and technological environment. Gamesa is present in 55 countries worldwide and is a leading player in several of its markets. Its positioning in Mexico, Brazil, the US, China and EMEA stands out. This leadership, coupled with a regional sales organisation, made up of 18 offices around the world, brings proximity and direct and personal relationships with customers, a better understanding of their needs, more information

about the products on offer and the ability to handle enquiries and claims.

Close and direct relationship

In order to stay in close and ongoing contact, Gamesa has continuous feedback mechanisms and processes, most notable among which its satisfaction surveys. Every two years, the Customer Satisfaction Project, which takes the forms of an in-person customer survey, enables the company to establish a direct line of communication and evaluate the quality of its products and services, measuring aspects related to the projects' development, construction and operation phases.

Ninety per cent, or 201 customers from 117 firms and 26 countries, participated in Gamesa's last customer satisfaction survey, carried out in 2016. This tool is very

valuable for Gamesa, as it enables it to rapidly pinpoint strengths and weaknesses in management and performance during the various stages of its projects, with the aim of developing and executing action plans at the global, regional and customer-specific levels. The seventh edition of the survey revealed a widespread improvement on all counts.

Other formulae that help strengthen the company's business relations include its participation in trade fairs and the organisation of specific events with customers, such as product and technological service conferences and seminars, and the Customer Loyalty Programme.

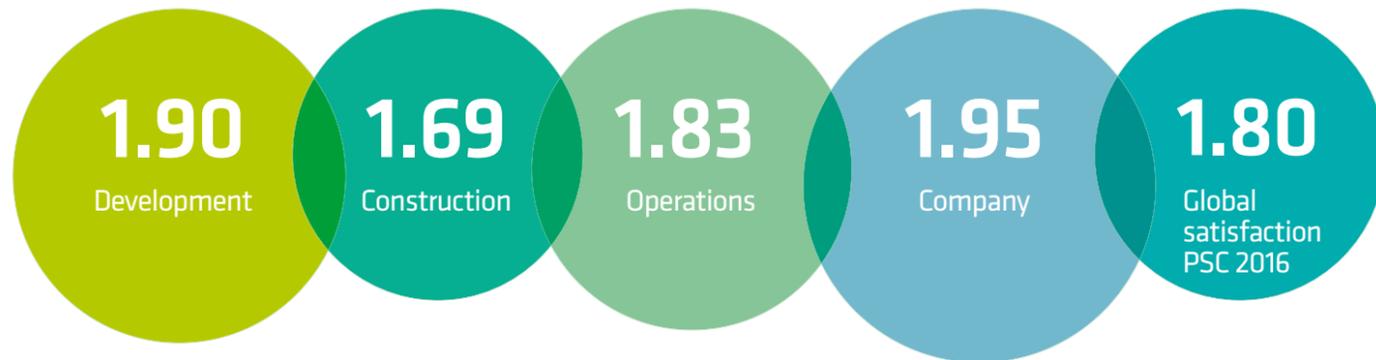
Among the international trade fairs in which Gamesa participated in 2016, the following stand out:

- China Wind Power 2016: this is the most important trade fair in China and Asia-Pacific; Gamesa participated with a 81m² stand, showcasing its products and services tailored for the local market. It also participated in the event's conference cycle.
- WindEnergy Hamburg 2016: Gamesa attended Europe's largest wind event, exhibiting its newest turbine models, the G132-3.3 MW and the G126-2.5 MW, as well as its services solutions for the European market. The company also participated in a number of expert talks and presentations during the event.
- Brazil WindPower 2016: the main sector trade fair in Latin America. The company leveraged this forum to present its products for this market and also participated in the symposium, making technical presentations.

Metodology CSP 2016-2018



Results of the 2016 survey



- AWEA 2016: Gamesa participated in the largest trade fair in the US, showcasing the latest products and services targeted at this market. It also participated actively in the various conferences and panel discussions and organised over 150 meetings with customers
- Mexico WindPower 2016: for the fifth year in a row, the company presented its products and services at this fair, as well as participating in the conference line-up.

Seminars and Customer Loyalty Programme

Gamesa organised six seminars over the course of 2016, attended by 220 customers from 90 companies. This event was organised for the first time in Argentina, Vietnam, South Africa, Sri Lanka and Pakistan. During these events, the company presented its business strategy for the various markets, along with its tailored products and services.

The idea behind the Customer Loyalty Programmes is to strengthen customer relations and define personalised loyalty strategies. Loyalty events were accordingly organised in all of the company's regions in 2016, in addition to specific initiatives with individual customers, noteworthy among which:

- The Gamesa Customer Loyalty Annual Event, US. Held in New Orleans in May 2016, this event gathered 167 people from 58 different companies.
- The Gamesa Customer Loyalty Annual Event, EMEA. Organised in Pamplona and La Rioja (Spain) to coincide with the inauguration of the G126-2.5 MW and G132-3.3 MW prototypes, these meetings brought together 25 customers from 16 companies in Europe.

- The Gamesa Customer Loyalty Annual Event, Latam. The Sao Paulo (Brazil) event gathered customers from Brazil, Chile, Argentina, Costa Rica and Honduras.
- The Gamesa Customer Loyalty Annual Event, Asia. Celebrated in Kuala Lumpur (Malaysia), the Asian loyalty event brought together 18 people from 12 different companies from India, China, Indonesia and the Philippines.

Product excellence

Gamesa is a product and service developer. It has created one of the most comprehensive and versatile portfolios in the market, underpinned by over 23 years accumulating experience and know-how in the wind industry, with the aim of offering products that are ideally suited to the varying wind conditions encountered from site to site.

In 2016, the company continued to expand its product suite, introducing new rotors and tower heights, and services range, expanding its value-added service offering. The following product launches stand out:

- The G132-3.465 MW, the natural evolution of the G132-3.3 MW.
- The G114-2.1 MW CS, targeted at the Brazilian market. This new version of the turbine is specifically adapted to suit conditions in the Brazilian market and comes on the heels of the versions already tailored for the Indian and Chinese markets.
- The Very High Altitude (VHA) variant, available for sites located as high as 3,400 metres above sea level.
- The Very High Temperature (VHT) variant, for sites where temperatures can soar above 50°C.



- New tower heights, notable among which the 153m tall towers or the 2.0-MW platform, the 134m hybrid polygon tower and the 154m tower, both of which available for the 3.3-MW platform.

Wind turbine platforms

In developing these products and services, Gamesa draws on its operational excellence, underpinned by its ability to innovate continuously, its global manufacturing capabilities, its relentless search for solutions that maximise profitability and reduce the cost of energy and its commitment to health and safety.

Against this backdrop, Gamesa's customer pledge is based on a permanent sense of duty to service, credibility and value creation; it develops solutions that exceed its customers' expectations and do not imply risks for their health or safety.

To this end, the company evaluates its products' impacts in sustainability terms on all its processes – design, manufacturing, assembly, field installation, commissioning and after-sales service - at the drawing-board stage, establishing activities, responsibilities and work flows to ensure complete (internal and external) customer satisfaction, ensuring a safe work environment, guaranteeing maximum respect for the environment and implementing an advanced quality management system.

Wind turbine platforms

2.0-MW and 2.1-MW platform

Name	Class	MW	High (*) (m)
G80	Class IA	2.0	60/67/78/100
G87	Class IA	2.0	78/90
G90	Class IA	2.0	55/78/90
G97	Class IIA/IIIA/CS	2.0	78/90/100/104/120
G114	Class IIA/IIIA	2.0	80/93/125
G114	Class IIIA/CS	2.1	80/93/106/125

2.5-MW platform

Name	Class	MW	High (m)
G106 ⁽¹⁾	Class IA	2.5	72/80/93
G114	Class IIA	2.5	68/80/83/125
G114	Class IIA	2.625	68/80/93/125
G126 ⁽¹⁾	Class IIIA	2.5	84/102/129
G126 ⁽¹⁾	Class IIIA	2.625	84/102/129

3.3-MW platform

Name	Class	MW	High (m)
G132 ⁽¹⁾	Class IIA	3.3	84/97/114/134
G132 ⁽¹⁾	Class IIA	3.465	84/97/114/134

5.0-MW platform

Name	Class	MW	High (m)
G132	Class IIA	5.0	95/120/140

⁽¹⁾ Under development

^(*) Different versions and optional kits are available to adapt machinery high or low temperature and saline or dusty environment.



Shareholders

Gamesa uses several channels for engaging with its shareholders and the investment and analyst communities. The main tools used to engage with this stakeholder group are: the Investor Relations Department, the Shareholders' Office and the Annual General Meeting. In addition, all of the information of interest to shareholders is uploaded onto the corporate website, specifically the investors and shareholders tab, which received over one million visits in 2016.

The Shareholders' Office is the channel used by Gamesa to provide personal attention to the company's non-institutional shareholders, to which end it offers a dedicated shareholder phone line (900-504-196), a dedicated e-mail inbox (info_accionista@gamesacorp.com) and regular mail correspondence. In 2016, the Shareholders' Office fielded over 360 enquiries through these channels.

This Office also handles requests for information related to the Annual General Meeting. The company sets up online forums to facilitate shareholder communication in the run-up to its shareholder meetings. In 2016, Gamesa held its Annual General Meeting on 22 June; it was attended by shareholders with an aggregate ownership interest in the company of 59.24%. It also held an Extraordinary General Meeting on 25 October.

The **Investor Relations Department**, for its part, deals with the institutional investor and research analyst communities; the inbox set up specifically to cater to these stakeholders' concerns received 443 enquiries in 2016. This Department continued to engage actively with institutional investors and analysts by means of multiple meetings in the leading financial centres: Madrid, London, Frankfurt, Boston, Geneva, Zurich, Paris, Amsterdam and New York. It is in permanent contact with some 32 research brokerages. The company also participated in nine institutional investor conferences in London and Madrid.

Lastly, in 2016, the company organised a special conference with analysts and investors to present the merger with Siemens Wind Power to the market.

Presence in socially-responsible indices

Gamesa is part of the benchmark international sustainability indices: the Dow Jones Sustainability Indices, FTSE4Good, Ethibel Sustainability Index and Carbon Disclosure Project, among others.

It also featured on rankings that are more specialised in the renewable energy, sustainable development and climate change fields, such as the Cleantech Index, the Global Challenge Index and the S&P Global Clean Energy Index.



Suppliers

Gamesa establishes relations with its suppliers, contractors and professional service providers based on trust, transparency and the sharing and cross-fertilisation of know-how and skills. In this manner, it is articulating an ethical, responsible, sustainable and competitive supply chain, capable of contributing to the company's cost of energy demands and framed at all times by the stringent standards of quality which define the company.

To this end, the company has a specific Supplier, Contractor and Service Provider Relations and Contracting Policy, which was updated in 2015 and provides a group-wide framework for the management and control of procurement activities. In this manner, Gamesa ensures the impartiality and objectivity of its supplier selection processes and puts in place the channels and mechanisms needed to ensure that its suppliers' conduct is ethical, to which end it has pledged to take action if any of them breaches the values and principles enshrined in the company's Code of Conduct.

In 2016, Gamesa remained strategically focused on the reinforcement of its supply chain, helping to generate wealth and contribute to economic stability in the process. Specifically, it increased its base of suppliers to 9,917 companies worldwide, from which it purchased €3.72 billion worth of goods and services, which is 22% more than in 2015.

By geography, India (25%), Spain (24%), China (17%), the US (10%) and Brazil (8%) accounted for the largest shares of the purchasing pie. The company also fosters its suppliers' global development by offering them the possibility of supplying beyond their home markets to other regions in which Gamesa has business operations.

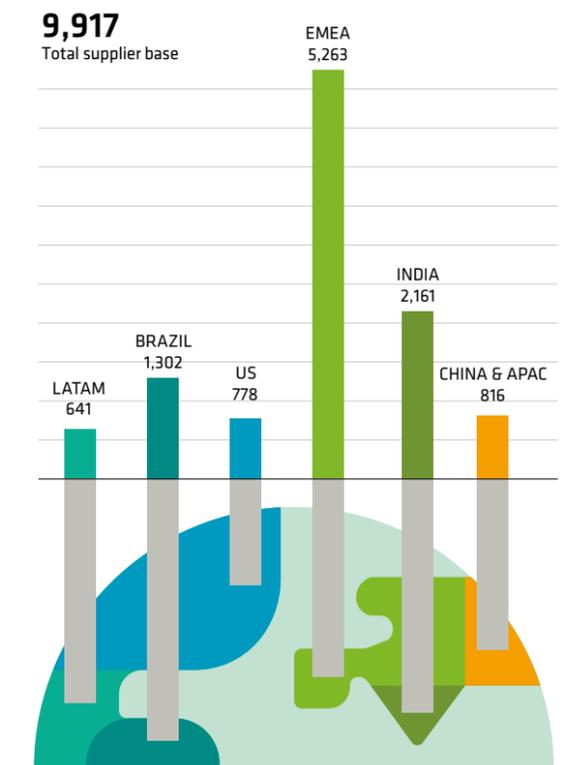
Supplier development

Gamesa also earmarks its own resources (materials and quality development engineering hours) to upgrading its suppliers' facilities in order to boost their technological development and competitiveness.

By way of example, in India the company has helped develop suppliers of hydraulic parts (Hydratech), infusion resin (Aditya Birla) and large cast parts (Synergy Green, Classic Tools and SE Forge).

In China it has developed suppliers of blades (Aeolon), blade gearings (TMB), major cast parts (Danian Heavy and Dahua), pitch cylinders (Hydratech) and tower interiors (Alluwind).

Supply chain: number of suppliers in 2016



In Brazil, Gamesa has certified suppliers of boiler parts (Jumbo and Painco), blade gearings (Kaydon) and butts and bolts (Friedberg and Metalbrax).

In EMEA, meanwhile, suppliers have been coached to provide main axes bearings (ZKL), cast axes (Lucchini) and yaw engines (Emod).

Lastly, in Mexico, Gamesa expanded the number of blade manufacturing lines at the TPI factory.

In short, it fosters local skills training by means of the regional decentralisation of its supply chain. This is resulting in an increasingly global supplier profile: worldwide suppliers with local presences, new local suppliers and the international expansion of existing suppliers.

This is evident in the fact that the percentage of local supplies stood at 91% in China, 62% in India and 72% in Brazil in 2016.

In addition, in response to the prevailing business plan, the Procurement Department has worked together with the Technology and Quality Departments on reducing the cost of energy by means of design changes to the company's turbines that optimise Annual Energy Production (AEP), such as the design of ad-hoc turbines for specific markets. For example, the design of the G114 CS specifically for the Indian market with its 106m tall tower or the AEP booster project dubbed Max Power (increasing nominal capacity by 5%) conceived of to make its turbines more competitive. In tandem it continued to work on redesigning its parts. It also adapted its transformers in Europe to comply with the Ecodesign Directive.

In short, in 2016, the company successfully concluded 379 projects, encompassing different product platforms, for the creation of alternative suppliers between China (94), India (140), EMEA (86) and Brazil (59).

Responsible supply chain

As far as sustainability is concerned, the Procurement Department applies a supplier management model that strives to create value in the long term by managing the opportunities and risks arising along the economic, environmental and social dimensions.

To meet the guidelines stipulated in the 2015-2017 Master Corporate Social Responsibility Plan, the company continues to roll out the Achilles-Repro platform, an administrative supplier control tool which covers areas such as supplier: i) corporate social responsibility; ii) quality management; iii) workplace health and safety; iv) environmental management; v) technical expertise; and vi) human resources.

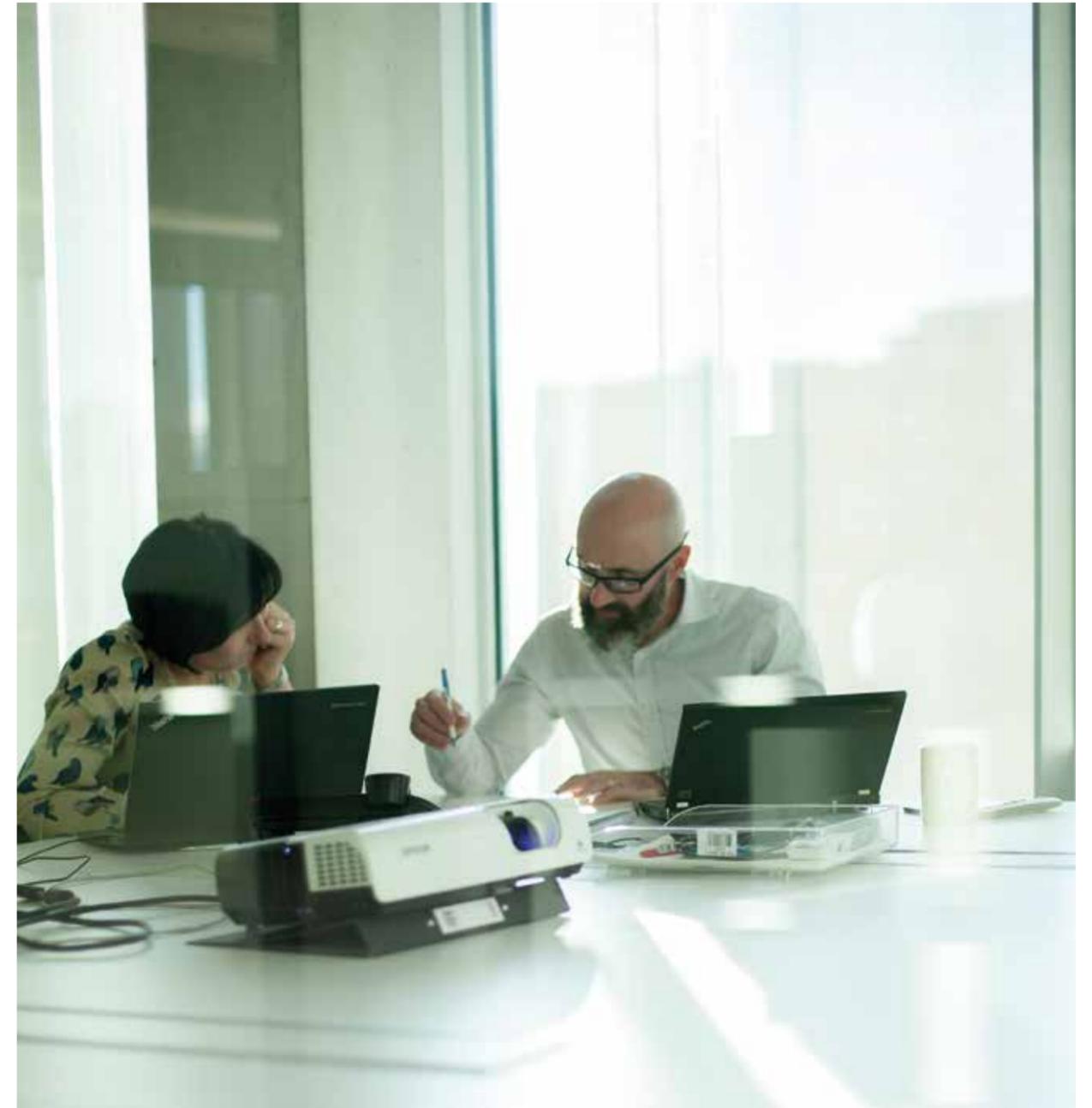
This supplier registration and assessment platform provides the company with valuable metrics with respect to the above-listed considerations; it can also be used for audit purposes.

At year-end 2016, 1,031 Gamesa suppliers were registered in the Achilles-Repro system; these suppliers account for aggregate invoices of close to €390 million.

Supplier quality

Supplier management at Gamesa is based on its Supplier Quality Manual. The goal of this manual is to itemise and explain the procedures and requirements governing cooperation between Gamesa and its suppliers with the aim of ensuring that outstanding quality for our customers at all levels of the supply chain. The manual also outlines the three basic processes articulating the Gamesa-Supplier relationship in order to guarantee quality:

1. Supplier rating process: this process describes the rating a supplier needs in order to be assigned orders for materials or parts. When selecting and evaluating suppliers, Gamesa carries out several audits to verify the suppliers' capabilities beyond their level of certification.





Against this backdrop, in 2016, Gamesa approved 50 new suppliers. The suppliers are evaluated using social and environmental criteria, among others.

2. Production parts approval process: this step ensures that the supply process is well defined and meets Gamesa's specifications, while ensuring process stability so that quality products are supplied on an ongoing basis throughout the useful life of the product; moreover, it provides objective evidence with respect to the robustness of the product.

3. Series life management process: this step paves the way for the materialisation of changes in processes and/or products; modifications in Gamesa's specifications; and management of deviations and/or the costs of non-performance. Specifically, the Supplier Quality Assurance Department tracks non-performance costs continually, as a result of which it is aware of and can readily sort and manage any incidents at Gamesa suppliers.

As part of the life management process, this Department evaluates its suppliers' quality management and results quarterly, also assessing their environmental performance and checking their occupational health and safety certifications. In 2016, 174 existing suppliers were so evaluated and were assigned scores or A, B, C or D depending on their performance.

Gamesa assesses its main suppliers in-house along technical, economic, environmental and social criteria. Among other things, the company analyses the existence of an environmental policy, specific workplace health and safety aspects and the human rights record and ethical conduct of its suppliers.

In fact, Gamesa's General Purchasing Terms and Conditions explicitly refer to respect for human rights and labour

practices as well as evidencing a clear-cut zero-tolerance stance on fraud and corruption which the company is working to implement across its supplier base.

When negotiating supply agreements, in addition to the contractual terms required under prevailing legislation, Gamesa negotiates the inclusion of the social responsibility clauses enshrined in the Code of Conduct applicable to its suppliers.

This Code includes rules designed to ensure that the labour conditions across its supply chain are safe, that their employees are treated respectfully and fairly and that their business conduct is ethically, socially and environmentally responsible.

One of the programmes which Gamesa's 2015-2017 Master CSR Plan pivots around is the responsible development of its supply chain. Against this backdrop, the company is working on a series of initiatives, such as a system for registering, classifying and controlling suppliers which will analyse, classify and evaluate key suppliers, *key* meaning suppliers which could adversely or materially impact delivery of the company's strategic objectives in the event of non-compliance or defective performance.

Elsewhere, the supplier audit system, in the process of being implemented, is emerging as an effective tool for evaluating the performance of key suppliers in respect of the expectations vested in them in applicable policies and codes, while ensuring continuous supplier improvement in parallel. By year-end 2016, the company had fully audited 132 of its key suppliers.

Other communication tools include the supplier portal, designed to facilitate the exchange of technical documentation, and Gamesa's website, which hosts the general purchasing terms and quality manual for suppliers.

Environmental performance



One of the Gamesa's top priorities is to take care of the environment. The company strives to carry out all its business activities in all its geographies in a sustainable manner. To this end, Gamesa is committed to continuously improving its environmental record and applying best practices. Its aim is to protect the environment by taking a preventative approach and fostering awareness and education.

By means of its integrated health & safety, environment and quality (HSEQ) policy, Gamesa guarantees a safe workplace, propitious to stringent environmental respect throughout its products' entire life cycle and all along its value chain - from turbine design to end of product life.

Gamesa's Code of Conduct includes environmental preservation as one of its core lines of initiative. The company's employees are also called on to help minimise the environmental ramifications of their activities and use of its facilities.

Emissions

The company's pledge to reducing its environmental footprint has led it to take a number of initiatives, including efforts to cut emissions, enhance biodiversity, foster energy efficiency, prevent contamination and correctly manage the waste generated in the course of its business activities. Gamesa also attempts to use water rationally and sustainably and to manage the risks associated with its scarcity.

Although Gamesa emits greenhouse gases in the course of its business operations, it also contributes directly to combating climate change. The more than 38 GW of capacity installed by Gamesa around the world prevent the emission of approximately 58 million tonnes of CO₂ every year by placing clean energy generated from renewable sources onto the market. Moreover, the turbines installed in 2016 (4,262 MW) will prevent the emission of 138 times more GHG emissions than the emissions generated during their manufacture.

Carbon neutral by 2025

Gamesa has embraced the challenge of becoming carbon neutral by 2025. This is one of the most ambitious climate commitments a company can take on.

Carbon neutrality implies specific commitments on the part of Gamesa in terms of measuring, reducing and/or offsetting the CO₂ deriving from its direct and indirect emissions over the coming years (2015-2025). The roadmap devised to deliver this commitment includes a combination of mitigating and adaptive measures, such as:

- Energy-efficiency measures to reduce emissions in the logistics area by at least 10% and in the operations area by 15% (measured in tonnes of CO₂e per installed MW) by 2025.
- Initiatives for the purchase of clean technology electricity by the factories and offices by 2025.
- Adaptive measures such as the promotion and use of electric vehicles, more environmentally-friendly mobility plans and projects to attain the ability to fully recycle wind turbine materials at the end of their life cycle.
- Carbon offsetting mechanisms that will materialise, as a function of various scenarios, in the trading of emission allowances.

Climate change policy

Gamesa is aware that climate change is a threat to the markets and sustainable development. This is why it has formulated a Climate Change Policy. It is designed to promote renewable energy sources to deliver a more environmentally-friendly, low-carbon global energy generation model.

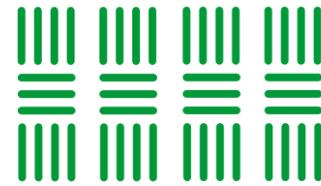
This climate change pledge is in sync with the group-wide Corporate Social Responsibility Policy under which Gamesa fosters the sustainable use of resources, a culture of respect for our natural surroundings and a commitment to combating climate change by reducing the environmental ramifications of its activities, protecting biodiversity and championing awareness and education in this arena.

Gamesa has signed up to several initiatives associated with its greenhouse gas reduction target such as the American Business Act on Climate Pledge and the Paris Pledge for Action. In this manner, Gamesa has embraced the precautionary approach to environmental protection prescribed in Principle 15 of the Rio Declaration.

Consumption by Gamesa in 2016

Raw materials

257,206t consumed **27t** year/employee



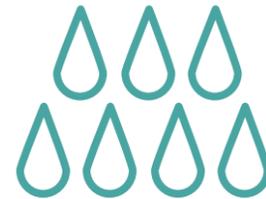
Energy

521 Tj consumed **56 Gj** year/employee



Water

159,598 m³ consumidos **17 m³** empleado/año



Energy efficiency

Gamesa continued to make progress on paring back consumption in 2016, implementing measures to make the company more energy-efficient. It carried out initiatives designed to reduce consumption and boost energy efficiency in several areas. For example, it fine-tuned its energy management, an effort that prevented the consumption of close to 330,051 kWh, equivalent to 81.51 tonnes of CO₂ equivalent (CO₂e).

In addition, by purchasing renewable sources of energy, Gamesa prevented the emission of a further 14,827 tonnes of CO₂e.

The products sold by Gamesa are designed to deliver enhanced environmental protection and energy efficiency at the global level. The eco-designed criteria used to develop two of the company's turbines, the G128-4.5 and G114-2.0 MW, have been externally certified.

The eco-design process minimises the products' environmental impact, maximises energy efficiency

and lowers the cost of energy at every stage of a wind turbine's life cycle: design, materials and parts procurement, production, distribution, installation, operation & maintenance and dismantling.

In addition, Gamesa uses life cycle assessment (LCA) methodology to evaluate the environmental burdens associated with a given product, process or activity, factoring in the entire life cycle. This assessment was performed for the G90 platform in accordance with the UNE-EN-ISO 14040 and 14044 standards. An environmental production declaration (EPD) has additionally been obtained for the G90-2.0 MW, G114-2.0 MW, G128-5.0 MW and G132-5.0 MW turbines.

Waste

Within its environmental management strategy, Gamesa is particularly focused on efficient waste management. In 2016, the company generated 19,394 tonnes of waste and the ratio of hazardous to non-hazardous waste was close to 1:7.

In 2016, Gamesa generated 2 tonnes of waste per employee.

Emissions

30,156t CO₂ emitted

58.31t CO₂ prevented **8.3MM** TOE prevented



Waste

19,394t generated **2.07t** year/employee



Notably, Gamesa recycles or reuses 54% of the hazardous waste it generates (up from 37% in 2015); this figure rises to 82% in the case of non-hazardous waste.

Biodiversity

DIIn the course of doing business, Gamesa interacts with several ecosystems, landscapes and species. The company uses a number of mechanisms to preserve biodiversity and minimise its impact on the environment.

Before it builds a wind farm, Gamesa conducts an environmental impact study and establishes corrective measures to prevent, mitigate or offset any potential damage. Later, the wind farms are operated in compliance with the permits granted by the environmental authorities in each region, subject to the restrictions and obligations imposed to guarantee environmental protection.

In addition, the company establishes plans for monitoring and controlling its facilities performance to prevent potential environmental risks. Lastly, it protects the development of species and habitats by means of

proactive conservation management and site research with the aim of having a net positive impact on the environment. No incidents were recorded in protected habitats in 2016.

Progress made in 2016

Gamesa substantially improved its environmental performance in 2016. Highlights:

- Improvement in the end use given to waste with the percentage of waste sent for recycling, recovery and/or reuse rising by 3.7% year-on-year.
- Verification for the sixth year in a row of the company's greenhouse gas emissions under ISO 14064.
- Eco-design certification for the G128-5.0 MW and G132-5.0 MW turbines, whose environmental product declarations (EPD) were published by Environdec.
- Collaboration with Iberdrola and Scottish Power on obtaining the EPD for the Kilgallioch wind farm.

 Further information can be found in section II.10 of the 2016 Corporate Responsibility Report.

Communities



Gamesa's business activities help generate value in the communities in which it has a significant presence. More specifically, the company boosts these local economies, directly through job creation and its investments, as well as via the payment of taxes.

In addition to this economic value, the company's community influence extends beyond the strict impact of its business operations, taking the form of a longer-term commitment. As a result, Gamesa complements its business endeavours with initiatives designed to improve the living standards in the communities it engages with. Primarily in India, but also in Spain and the other regions in which it does business, Gamesa has rolled out a series of community work programmes which are focused on the following areas:

- Local development cooperation work
- Access to education and skills development
- Local culture preservation

- Provision of health services
 - Fortification of the community and its groups and constituents from an institutional standpoint
 - Environmental, social and cultural programmes which involve local networks and multiple institutions.
- All of these initiatives are articulated annually around the organisation's Social Action Programme under which it encourages its employees to submit the projects they would like to see the company support financially. Gamesa received 106 employee proposals for the 2016-2017 edition of this programme, from which it selected the following initiatives for execution over the course of 2017:
- **India. Juan Bonal Foundation. Financial skills training and empowerment for aboriginal women via micro-credits for agricultural projects in the region of Gujaratt**
Under this programme, 100 women living in Gujarat at risk of social exclusion will be provided with the knowledge and skills needed to work with crops. The high-level goal is to train them so that they can get the



most from their land during the various seasons of the year (Monsoon, summer and winter) and to supply them with the materials they need to grow their crops correctly.

- **India. Bal Vikas. Nursery school for Motiya**
The aim of this charitable project is to build a nursery school that will take care of the town's children while their fathers and mothers work. This will give their parents with peace of mind at work while their children learn to read and write.
- **India. Krida Vikas Sanstha Nagpur. Gamesa Soccer League III**
This third edition of the programme will enable youths from rural areas of India to fine-tune their sporting skills at a football training campus where they will also be educated on how to care for the environment and eat healthily.
- **Brazil. CROPH (acronym in Portuguese for the Regional Coordination of Human Development Work) Computer Rooms II**

The computer room project in Brazil is aimed at fostering technological literacy by means of dedicated centres where adolescents at risk of exclusion can hone their computer skills free of charge.

- **Mexico. Encouragement of healthy lifestyles among girls, boys and youths in the Istmo de Oaxaca region**
Execution of this project will reinforce the lines of initiative carried out by the Aerogubiños Sports School in the Unión Hidalgo community in Oaxaca. More specifically, healthy lifestyle habits will be fostered under the programme, boosting community health and thereby raising community well-being.
- **Brazil. Mulheres que criam, Camaçari**
This programme is targeted at contributing to the financial stability of the mothers group called *Nossa Senhora do Amparo*: by supporting the printing school's activities, the aim is to generate work and income for economically vulnerable working mothers.

Key projects contemplated under the 2015-2016 Social Action Plan rolled out in 2016:

- **Education project for indigenous children (Mexico).** The goal of this project is to help raise education standards in schools for indigenous children across four Mexican states (Chiapas, Oaxaca, Puebla and Yucatán), by making sure that these children finish their schooling knowing how to read and write (in collaboration with UNICEF).
- **Computer Rooms I (Brazil).** The Brazilian computer rooms project fosters technological literacy by means of dedicated centres where adolescents at risk of exclusion can hone their computer skills free of charge (in collaboration with Brazil's CROPH).
- **Solar-powered horticulture project (India).** The philanthropic project entails installing drip irrigation systems fuelled by solar power to benefit rural households in India's Kadiri region who depend on horticulture for a living (in collaboration with the Vicente Ferrer Foundation).
- **Gamesa Soccer League II (India).** The 2016 edition of the soccer programme was increased to accommodate 1,000 youths from rural India, up from 372 in the prior year's maiden edition. The participants in this programme fine-tune their sporting skills at a football training campus where they are also educated on how to care for the environment and eat healthily (in collaboration with Krida Vikas Sanstha-Nagpur).
- **Social inclusion centre (Uruguay).** The goal of this project is to kit out a premises on loan from the Uruguayan electric utility (UTE) for the purpose of building a climbing gym for vulnerable children and youths in Montevideo (Uruguay) (in collaboration with the La Muralla Foundation).

Social Action Plan in India

On account of its specific needs in areas such as education, healthcare and social inclusion, India has its own Social Action Plan, called Gamesa Community Spirit, whose mission is to carry out local community initiatives. This Plan is articulated around the following strategic programmes:

- **Gamesa Academic Excellence Programme**
This programme makes it possible for around 500 pupils from rural environments to receive the same basic education as is received by students living in urban areas. This initiative includes the Shuddi project, which is aimed at educating the students in hygiene by installing wash basins in rural schools.
- **Gamesa Gram Arogya Kendra**
The purpose of this initiative is to support sustainable medical care projects in rural villages located close to

Gamesa's wind farms. The priority focuses are eyesight and care for pregnant women in these towns, for which the company provides the necessary resources and check-ups, as well as follow-up medical cards.

- **Gamesa Vocational Training Programme**
This initiative encompasses two different initiatives. The first consists of a programme for the recycling of wood waste for conversion into furniture for rural schools located close to Gamesa's facilities in Mamandur and Redhills (Chennai). The other initiative, My Career, teaches rural students how to perform turbine operations and maintenance work with the aim of giving them vocational training and sustainable work.
- **Employee volunteering**
This programme attempts to raise Gamesa India employees' social awareness, while engaging them in community work. A series of events are scheduled



around this project, including Wind Day, International Deaf Week, blood donation drives and charitable donation campaigns.

Initiatives undertaken in Spain

Gamesa also runs specific initiatives in Spain with the aim of contributing to wealth generation and environmental preservation:

- **FIEB (Foundation for research into ethology and biodiversity) - First gene bank for Iberian birds of prey**
Gamesa is collaborating with the FIEB on the creation of the first national gene bank for Iberian species, a tool destined to help their conservation. This initiative fosters genetic diversity, enhances efforts to breed in captivity and facilitates access to the genetic make-up of specimens from species with residual populations.

Gamesa Scholarship Programme

This scholarship programme helps bring young graduates into the workforce. Each year, Gamesa recruits high-potential students from the top Spanish universities who enter a training programme which lasts between 12 and 18 months. During this stint, the young graduates spend time in different departments and regions.

Gamesa also participates actively in sector and business associations and organisations. In 2016, Gamesa collaborated actively with 45 organisations and associations in Spain and 47 in the rest of the world, contributing a total of €1,249,294.

Gamesa

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