

Independent Audit Report

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

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

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

INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

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

Report on the financial statements

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

Director's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal and regulatory requirements

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

ERNST & YOUNG, S.L.

The original signed in Spanish

February 23, 2017

Gamesa Corporación Tecnológica, S.A.

Financial Statements for the year ended
31 December 2016

Management Report

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

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Management report for the year ended December 31, 2016

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

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

(Thousands of euros)

ASSETS		Notes	12.31.2016	12.31.2015 (*)	EQUITY AND LIABILITIES		Notes	12.31.2016	12.31.2015 (*)
NON-CURRENT ASSETS			412,522	385,335	EQUITY		Note 12	938,723	900,424
Intangible assets		Note 6	174	228	SHAREHOLDER'S EQUITY			938,723	900,424
Computer software			174	228	Share capital			47,476	47,476
Property, plant and equipment		Note 7	619	534	Share premium			386,413	386,413
Other fixtures, tools and furniture			525	406	Reserves			464,626	435,896
Other items of property, plant and equipment			94	128	Legal and bylaw reserves			9,495	9,495
Non-current investments in Group companies and associates		Note 9	409,593	374,317	Other reserves			455,131	426,401
Investments in Group companies and associates			409,593	374,317	Treasury shares			(46,897)	(46,244)
Non-current financial assets		Note 9	1,077	444	Profit for the year			87,105	76,883
Equity instruments			600	-					
Guarantees and deposits given			477	444					
Deferred tax assets		Note 16	1,059	9,812	NON-CURRENT LIABILITIES			-	4,180
					Non-current payables			-	4,180
					Other financial liabilities		Note 15	-	4,180
CURRENT ASSETS			575,648	574,959	CURRENT LIABILITIES			49,447	55,690
Trade and other receivables			38,167	47,395	Short-term provisions		Note 13	170	1,381
Trade receivables for sales and services			27	35	Other provisions			170	1,381
Receivables from Group companies and associates		Note 19	30,838	42,794	Current payables			4,182	4,414
Accounts receivable			97	97	Bank borrowings		Note 14	-	234
Other accounts receivable from public authorities		Note 16	7,205	4,469	Other financial liabilities		Note 15	4,182	4,180
Current investments in Group companies and associates		Note 19	531,506	523,045	Current payables to Group companies and associates		Note 19	24,134	34,249
Short-term loans to Group companies			531,506	523,045	Trade and other payables			20,961	15,646
Current financial assets		Note 10	1,025	1,765	Sundry accounts payable			7,778	4,925
Short-term loans to third parties			1,025	1,765	Remuneration payable			11,042	8,165
Short-terms accruals			330	297	Other accounts payable to public authorities		Note 16	2,141	2,556
Cash and cash equivalents		Note 11	4,620	2,457					
Cash			4,620	2,457					
TOTAL ASSETS			988,170	960,294	TOTAL EQUITY AND LIABILITIES			988,170	960,294

(*) Presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

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

(*) Presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

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

(Thousands of euros)

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

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

(*) Presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

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

(Thousands of euros)

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

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

(*) Presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

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

(Thousands of euros)

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

(*) Presented for comparison purposes only.

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

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

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

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

1. ACTIVITIES AND CORPORATE PURPOSE

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

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

- a) Subscription and acquisition of shares, or securities that are convertible into shares, or which grant rights for their preferential acquisition, in companies whose shares may be listed or not on Spanish or foreign stock markets.
- b) Subscription and acquisition of fixed-income securities or any other securities issued by the companies in which it holds an interest, as well as the granting of participating loans or guarantees.
- c) Direct provision to investees of counselling, technical assistance and other similar services related to the management of investees, to their financial structure or to their production or marketing processes.

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

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

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

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

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

- Wind Turbines (*)
- Operation and Maintenance

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

Environmental Information

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

2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Financial reporting legislation applicable to the Company

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

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

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

2.2 True and fair view

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

2.3 Non-mandatory accounting principles applied

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

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

2.4 Critical aspects of the valuation and estimation of uncertainty

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

- Calculation of provisions: At the end of each reporting period Company's Director estimates the liabilities arising from litigation and similar events which require the recognition of provisions of a tax and legal nature. Although the Company considers that the cash outflows will take place in the coming years, it cannot predict the settlement date of these liabilities and, therefore, it does not make an estimate of the specific dates of the cash outflows, considering the effect of a potential discount to present value to be not significant (Note 13).
- The evaluation of possible impairment losses affecting certain assets such as receivables and interests in group companies and associates (Notes 9 and 19).
- Useful life of property, plant and equipment and intangible assets. Company management estimates the useful life and relevant depreciation and amortization charges for its property, plant and equipment and intangible assets, respectively (Notes 6 and 7).
- GAMESA has taken on a series of assumptions to calculate liabilities commitments with the staff (Note 12.4). The fair value of those financial instruments granted as payments based on actions that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a series

of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. Changes in these assumptions would be in a significant impact on these Financial Statements.

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

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

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

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

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

2.5 Comparison of information

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

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

2.6 Grouping of items

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

3. DISTRIBUTION OF RESULT

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

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

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

3.1 Limitations for the distribution of dividends

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

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

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

4. ACCOUNTING POLICIES AND MEASUREMENT BASIS

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

4.1 Intangible assets

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

Computer software

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

4.2 Impairment of assets

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

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

4.3 Property, plant and equipment

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

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

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

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

4.4 Leases

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

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

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

4.5 Financial instruments

Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

4.6 Transactions and balances in foreign currency other than the euro

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

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

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

4.7 Corporate income tax

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

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

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

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

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

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

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

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

4.8 Income and expenses

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

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

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

4.9 Severance indemnities

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

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

4.10 Environmental assets

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

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

4.11 Equity instruments and share-based payments

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

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

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

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

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

4.12 Provisions and contingencies

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

- a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations (Note 13).
- b) Contingent liabilities: possible obligations as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the Company (Note 13).

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

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

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

4.13 Transactions and balances with related-parties

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

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

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

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

4.14 Cash and other cash equivalents

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

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

4.15 Equity

Share capital consists of ordinary shares.

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

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

4.16 Estimation of fair value

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

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

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

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

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

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

5.1 Market risk (exchange rate)

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

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

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

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

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

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

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

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

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

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

5.2 Interest rate risk

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

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

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

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

5.3 Liquidity risk

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

5.4 Credit risk

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

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

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

6. INTANGIBLE ASSETS

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

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

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

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

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

7. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

8. LEASES

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

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

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

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

9. NON-CURRENT FINANCIAL INSTRUMENTS

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

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

Year 2015			
Shareholdings in Group companies and associates	374,317	-	374,317
Deposits and guarantees provided (Note 8)	-	444	444
Total	374,317	444	374,761

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

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

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

9.1 Shareholdings in Group companies and associates

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

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

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

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

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

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

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

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

The most significant changes in 2016 were as follows:

- On September 22, 2016 Gamesa Energía, S.A.U. absorbed the company Cametor S.L.U. transferring the total equity to Gamesa Energía, S.A.U. As a consequence, the company Cametor, S.L.U. is dissolved, without liquidation, and with the corresponding writing.
- The impairment provision of the shareholding in Gamesa Technology Corporation, Inc has been partially reversed amounting €35,654 thousands as a result of the positive evolution of this company during 2016.
- On December 30, 2016, the group company, Gamesa Energía, S.A.U., acquired the 51% shareholding in 9REN España, S.L. (hereinafter "9REN") reaching the 100% of this company. The consideration paid for this 51% amounted €8.5 million.

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

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

- In June 2015 the partners of 9Ren España, S.L. have agreed a payout of share premium that has meant to Company a decrease of the cost of the shareholding in €5,880 thousands. During the year 2015, the Company has had a negative result of 0.6 million euros, in line with the budget of the business plan. There have not been changes on the estimates of future projection used for the analysis of recoverable value mentioned later in this note.
- The impairment provision of the shareholding of Gamesa Technology Corporation, Inc has been partly reversed amounting €103,501 thousands due to the positive performance of this company during the year 2015.

9.2 Non-current financial information

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

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

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

9.3 Effect of non-consolidation

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

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

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

10. CURRENT FINANCIAL INSTRUMENTS

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

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

11. CASH AND OTHER CASH EQUIVALENTS

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

12. EQUITY AND CAPITAL AND RESERVES

12.1 Share capital

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

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

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

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

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

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

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

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

12.2 Reserves

Share premium

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

Legal reserve

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

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

12.3 Treasury shares

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

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

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

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

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

12.4 Incentive plan

2013-2015 Incentive plan

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

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

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

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

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

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

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

13. PROVISIONS AND CONTINGENCIES

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

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

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

14. BANK BORROWINGS

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

At December 31, 2015 bank borrowings were as follows:

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

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

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

15. OTHER FINANCIAL LIABILITIES

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

16. PUBLIC ADMINISTRATIONS AND TAX SITUATION

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

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

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

Parque Eólico Dos Picos, S.L.	
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The same societies, except the ones indicated in the next table are covered by the Special Regime of the Group of Entities of Value Added Tax.

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

16.1 Current payables to public institutions

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

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

16.2 Reconciliation of reported results and taxable results

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

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

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

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

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

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

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

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

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

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

16.5 Deferred tax assets recognised

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

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

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

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

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

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

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

16.6 Years open to inspection and tax audit action

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

17. GUARANTEES TO THIRD PARTIES

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

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

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

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

18. OPERATING INCOME AND EXPENSES

18.1 Revenue

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

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

18.2 Other operating, accessory and other ordinary revenues

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

18.3 Other operating expenses

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

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

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

18.4 Personnel expenses

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

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

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

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

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

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

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

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

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

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

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

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

Financing contracts between companies in the GAMESA Group

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

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

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

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

Agreements relating to the Wind turbine and Operations and Maintenance segments

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

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

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

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

- GAMESA and Iberdrola, S.A will closely collaborate with new opportunities relating to the offshore wind business.
- GAMESA and Iberdrola, S.A will collaborate within the area of maintenance services so that Gamesa Eólica, S.L. Unipersonal will become a company of reference with respect to wind farm maintenance throughout Iberdrola's business. In particular, the following agreements have been reached:
 - Establish new areas of study and analysis for the rendering of maintenance services by GAMESA to Iberdrola, particularly the rendering of those services in the United States, the sale and installation of wind turbine reliability improvements or the extension of their useful lives and the conversion and update of wind turbine models.
 - The extension of current maintenance services.

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

In the field of these negotiations, the parties formalized in March 2015 a new Framework Agreement that resolved the previous one dated on January 1, 2013 for the G8x and on 1 January 2012 for the G4x and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19.2 Information regarding conflicts of interest affecting Directors

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

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

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

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

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

- Villalba Sánchez, Francisco Javier. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, November 10, and December 20, 2016.
- Góngora Bachiller, Gema. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, 2016.
- Codes Calatrava, Gerardo. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on November 10 and December 16, as well as, the meetings of the Audit and Compliance Committee held on November 10 and December 20, 2016.
- Rubio Reinoso, Sonsoles. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 6, November 10, December 20, as well as, the meetings of the Audit and Compliance Committee held on July 5, November 4, November 10 and December 15, 2016.
- Hernández García, Gloria. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has

deliberated and adopted any resolutions relating to operations with Bankinter and/or group companies, she has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meeting held on November 10, 2016 when it was deliberated and adopted an agreement related with the syndicated loan of the GAMESA Group.

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

20. OTHER INFORMATION

20.1 Fees paid to auditors

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

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

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

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

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

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

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

21. MERGER AGREEMENT WITH SIEMENS

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

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

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

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

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

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

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

Also, the prior authorizations have been obtained, express or tacit, that are required by the competition authorities, leaving the approval of the European Union' competition authorities outstanding. The operation

completion is expected by the end of the first trimester of 2017 or the beginning of the second trimester of 2017.

22. POST BALANCE SHEET EVENTS

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

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

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

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

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

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

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

23. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

APPENDIX

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

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

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

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

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

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

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

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

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

HEREBY CERTIFY:

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

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

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

José María Aldecoa Sagastasoloa
Member of the Board of Directors

Francisco Javier Villalba Sánchez
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Gerardo Codes Calatrava
Member of the Board of Directors

Zamudio, February 22, 2017. In witness whereof

Approval of the Chairman

Ignacio Martín San Vicente
Chairman and CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors