

## **Extraordinary General Meeting of Shareholders**

Zamudio, 25 October 2016

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**Ignacio Martín**  
**Executive Chairman of Gamesa**

### **Greeting/Historical juncture and background to the merger**

Dear shareholders,

Four months ago, at the 2016 Annual General Meeting, I began my speech outlining our satisfaction at seeing Gamesa meaningfully positioned in the wind industry and I underscored the historical juncture at which we found ourselves.

- On the one hand, I recalled how 2016 marked the fortieth anniversary since Gamesa's incorporation. Four decades marked by a spirit of continuous improvement (while steering clear of complacency and conformity), by innovation, discovery of new paths, identification and pursuit of opportunities and, above all, earning credibility in the eyes of our shareholders, all of you who support the managerial course being charted by those of us leading this company day in and day out.
- On the other hand, we had just announced, specifically on June 17<sup>th</sup>, the execution of a merger agreement between Gamesa and Siemens's wind power division. Four months have passed since and as I foretold at the time, an essential milestone in the process - unquestionably the most important for all of us - is shareholder approval for the transaction. The decision to proceed with this transformational agreement for GAMESA, the aim of which is to create, alongside SIEMENS Wind Power, a world-leading player in the wind industry, is up to you.

### **Four-year history**



Before I outline the compelling reasons for presenting you with this merger agreement today, I would like to glance back and recall the journey taken during the last four years, since I took up the chairmanship of GAMESA in 2012. We embarked on that path when we laid the foundations for a new wind industry management model, the first milestone of which was the presentation of a new business plan on a day like today, a 25<sup>th</sup> of October, now some four years ago.

Since that date, GAMESA has navigated two very different strategic phases:

**Stage one** got started with the launch of our 2013-2015 Business Plan. It was designed to reorient the business model so as to make the company profitable again, while guaranteeing its financial health. We wanted to go back to our roots in industry, technology and wind. To this end, we sought to embed our corporate culture in each and every one of our executives and employees by sharing a common set of values including technological innovation, cost control, financial discipline and continuous improvement. And we sought to do this without reneging on the flexibility we needed to tap growth in the future.

Allow me at this stage to remind you we delivered the objectives laid down in the 2013-15 Plan ahead of schedule, in 2014, albeit not without sacrifices and a spot of audacity. All our key business performance indicators began to turn around and head in the right direction. We lifted installed capacity to 2.6 GW, EBIT to €191 million and our EBIT margin to 8.3%. The sector was changing and GAMESA was spearheading the transformation.

The **second stage**, which runs from 2015 to 2016, also kicked off with the presentation of a new business plan, this time with a time horizon of 2017. This plan, which was presented to the market in June 2015, was prepared in more favourable market conditions than the prior plan, creating scope for tapping growth opportunities in our core markets. Its aim was to consolidate our profitable growth trajectory, gain scale without sacrificing profitability or financial discipline and, in short, accelerate value creation for all of you, while continuing to offer an attractive dividend policy.

Allow me to recall our original vision for 2017:

- Business volumes of 3.5 MW
- Doubling EBIT in three years
- All the while maintaining EBIT margins within a range of 8% to 10%, a level which very few competitors have been able to defend.

Soon we would see that these objectives, while ambitious, could be exceeded. And far from resting on our laurels, we set ourselves even loftier targets in 2016. The guidance for 2016 we are currently committed to, as you know, is as follows:



- Business volumes of 4 GW or more
- EBIT of over €430 million at a margin of above 9%.
- We are delivering these targets while keeping an iron grip on our financial discipline. Here I am not only talking about net debt levels but also our cash flow generation and working capital requirement, which we are keeping at under 2.5% of sales. All with a ROCE of over 22%.

In conclusion, the targets we set for ourselves in 2015 for delivery by year-end 2017 will be achieved - and outperformed - one year ahead of schedule.

I would also like to recall how we have improved the company's profile. Today GAMESA is more of a global player: it is present in 55 countries on all five continents; it has more than 8,000 employees and offers a more robust product portfolio which addresses the full market spectrum and all customer requirements. In short, GAMESA is cementing itself as one of the leading sector players, having installed over 26,000 turbines, which translates into capacity of 34.6 GW and ranks us as the number-four wind turbine OEM in the world today.

All of which to the benefit of all our stakeholders, particularly our shareholders.

Indulge me once again if I use hard numbers to illustrate our achievements:

- In June 2012, when the new executive team took up managerial responsibility at GAMESA, the share price was trading at little over €1. During the last four years, Gamesa has seen its market capitalisation multiply by a factor of 21 to €21.46 at yesterday's close, marking a gain of over 2,022%, compared to 52% in the case of Spain's benchmark blue chip index, the Ibex 35.

Those who know me know that I don't like to blow our trumpet but these numbers - meaning both the business metrics and the share price performance - really are spectacular. And I want to stress that they are not the by-product of coincidence or good fortune but are rather the direct result of hard work that I would describe as serious, thorough and brave by the team I have the honour of leading.

I would like, therefore, to sincerely acknowledge the daily and unwavering commitment of the people who work at Gamesa in all of our markets and all of our positions. From those who contribute to making our technological proposition a success in the market to those who repair our blades and make our gearboxes. The work of ALL has been crucial which is why I would like to expressly acknowledge, here in front of the shareholders who place their vote of confidence in us, how important to this company its people are.



Let's not forget where we come from or what has underpinned our success. And let's not turn a blind eye to the difficulties facing the sector, which are myriad, starting with ferocious competition. Active engagement, talent and the drive to achieve the targets we set ourselves will enable us to achieve the leadership position this company aspires to.

In tandem with managing our everyday business - delivering record results in the process -, we have raised our line of vision to the long-term horizon, switching on our full-beam headlights so to speak. Our strategy, as we said in June 2015, consists of preparing GAMESA for beyond 2017 so that we are in a position to offer you and indeed all of our stakeholders a sustainable value proposition. A proposition that will enable us to further enhance our profile as a global player by reinforcing our existing strengths and overcoming any weaknesses or risks we may face.

It is against the backdrop of this future vision that the transaction we are asking you to vote on today takes on the true strategic rationale we have been pursuing in recent years.

Paraphrasing the French writer, Victor Hugo, who used to spend long stints in this part of the country, I will tell you that *"the future has many names. For the weak, it means the unattainable. For the fearful, it means the unknown. For the courageous, it means opportunity."*

## **Merger**

Up until this point I have referred mainly to our background, the story of how we got here. Now I would like to allude specifically to the future and to the merger we are asking you to approve at today's shareholder meeting, a transaction that marks a new turning point.

As I mentioned at the start of my speech, on the 17<sup>th</sup> of June, we had the pleasure of announcing the execution of a binding agreement for the merger of Siemens's wind power business with Gamesa. Under the terms of the merger, Siemens will receive newly-issued shares in Gamesa representing 59% of our share capital, while Gamesa's shareholders will hold the remaining 41%; this includes the 8% interest to be retained by Iberdrola.

As part of the agreement, Siemens will make a cash payment of €3.59 share which will be distributed by Gamesa to its shareholders once the merger closes.

In the times we are living, economies of scale are an important driver of companies' competitive positioning. And this merger between Gamesa and Siemens will enable the creation of one of the leading global sector players in both the onshore and offshore segments. **If what**



**we want is to be a front-running contender, this merger represents an unbeatable opportunity.**

I would also like to underline the fact that the group that will result from the merger will be and act like **one company, with a single business and management strategy**, global reach across all the main wind power markets, an industrial presence on all five continents and a prestigious core shareholder roster, including Siemens and Iberdrola, as I already mentioned.

- SIEMENS, Europe's largest industrial company, will lend strategic and financial support in its capacity as GAMESA's new strategic shareholder.
- Iberdrola, meanwhile, Europe's largest private utility, a pioneer in the renewable energy field and a shareholder of GAMESA's for many decades, will remain as one of our core shareholders and will continue to be one of our most important customers.

**Ladies and gentlemen, at this juncture of my presentation, I would like to emphasise the fact that the transaction we are asking you to approve fits with the strategy we mapped out, respects GAMESA's identity and is underpinned by the highly-complementary nature of Siemens Wind Power's and Gamesa's businesses in terms of their geographic footprints and product and technology portfolios.**

Allow me to remind you that Gamesa is already one of the leading players in the onshore wind industry. We boast 22 years' experience in wind. We have installed nearly 35 GW and have 22 GW under operation and maintenance all around the world. We have manufacturing facilities in Spain, China, India and Brazil.

Our presence in over 55 markets is shaped by an entrenched legacy presence in southern Europe and a particularly strong presence in fast-growing emerging markets such as India, Mexico and Brazil, countries in which we are solidly positioned.

Meanwhile, SIEMENS's wind division brings a similarly meaningful presence in both the onshore and offshore segments: SIEMENS Wind Power has installed more than 34 GW of its turbines and has 25 GW under maintenance. It has manufacturing facilities in Canada, China, Denmark and the US and a noteworthy franchise in northern Europa, North America and Australia.

As I said, we believe that this transaction is underpinned by self-evident complementarity. In the wake of the merger, GAMESA will have aggregate worldwide installed capacity of 70 GW, an orderbook worth €22 billion, revenue of around €10 billion and adjusted EBIT of close to €1 billion, using pro forma figures for the 12 months to June 2016.

Moreover, the new company will have a team of approximately 22,000 professionals, lead initially by me, as the new company's CEO. Know that we are going to have a truly first-class



team made up of professionals from both GAMESA and SIEMENS Wind Power. Now is a good time to let you know that we are already working on the integration and that we will be in a position to announce the heads of the new GAMESA businesses to the market shortly.

Continuing to expound the transaction rationale, I would like to stress that the merger is based on mutual trust and conviction about the two companies' strengths, which means that the sum of the two will add up to more than its parts. Acknowledgement of and respect for what we call "GAMESA's DNA" (our way of doing business and managing our company) will constitute one of the bedrocks of our management going forward. GAMESA lives on, albeit stronger, more ambitious and bigger in scale, building on SIEMENS's strengths in wind power and ready to compete on the global playing field with renewed vigour.

Ladies and gentlemen, today we are asking you to vote on a transaction which, in short, makes clear and compelling strategic sense in an attractive growth sector in which scale is key to the competitiveness of wind power itself and of the companies populating it.

Having outlined the general rationale for the merger, allow me to remind you that all of the documentation pertaining to the transaction we are asking you to approve, included the related corporate governance resolutions, were made available to all of you on the day this Meeting was called via both our shareholders' office and our corporate website.

Nevertheless, as the Secretary of the Board will also note before asking you to cast your votes on today's resolutions, I would like to pause to underscore the aspect I deem, as chairman and chief executive of the company, most relevant to you decision-making.

I can and must honestly say, being quite frank, that this merger is very good for GAMESA: it is underpinned by a clear and compelling strategic rationale in an industry - one that is increasingly mature - in which the right combination of efficient and nimble management and adequate size will be crucial to its continued competitiveness. As I have said, this merger will enable us to acquire scale and enhance our competitive positioning, factors which in today's wind industry are essential to meeting our customers' needs.

**(Merger and not acquisition)**

Having made these observations of a general nature, I would like to stress the fact that this transaction is not an acquisition by SIEMENS, nor are we ceding control to them. It is a merger of equals. It is the result of the coming together of two companies with highly complementary businesses in terms of both geographic footprints and product and technology portfolios. The



sum of the parts will create one of the leading global players in the wind power industry, with an industrial presence on all five continents and a highly-competitive product portfolio.

**(CPs)**

In explaining the transaction to you, it would be remiss of me not to refer to the terms upon which it is contingent. I remind you that in addition to approval of the resolutions being submitted for your approval at today's Meeting, effectiveness of the merger is contingent, essentially, on two additional conditions precedent:

- Firstly, an exemption from the securities market regulator such that SIEMENS does not have to launch a tender offer for 100% of Gamesa. As I already noted, SIEMENS is not taking control; rather we are integrating two highly complementary businesses as part of a transaction underpinned by a solid and compelling strategic rationale.
- Secondly, the transaction requires the go-ahead from the various competent anti-trust authorities. On this point I can tell you that the procedures underway in the various jurisdictions in which anti-trust approval is being sought are proceeding on schedule, with some approvals already in hand.

**(ADWEN)**

It is worth singling out the announced acquisition by GAMESA of 100% of ADWEN, a transaction being executed in the context of the merger albeit without affecting the exchange ratio. Note that the incorporation of Adwen into the future company will not alter the market; in fact, we think it will enable the new company to offer its customers better service, providing stability.

**(Ties to Spain)**

I would also like to underscore GAMESA's commitment to maintaining our close ties with Spain, with the Basque and Navarra regions in particular, as well as with the rest of the country. As you all already know, after the merger GAMESA will continue to have its registered office and global headquarters in Zamudio, as well as keeping the onshore business's head offices, where its core executive team members are located, *here*. The offshore business's head offices will be located in Germany and Denmark.

Moreover, GAMESA's shares are traded and will continue to trade in Spain's benchmark stock index, the IBEX-35, in which it will command a considerably higher weight after the merger.



Companies with an industrial and technological profile are few and far between in this index. That is worth highlighting and acknowledging. And we will do so naturally, in keeping with the industrial values that guide Gamesa and Siemens: rigour, hard work, innovation and a desire to conquer the future.

**(Shareholders, customers and suppliers)**

Among the transaction's multiple benefits, I would like to highlight the advantages for all of the company's stakeholders.

Firstly, for you, our shareholders. The proposed merger with Siemens Wind Power, the subject of today's vote, is, as I have said, another step forward in the strategy of defending and reinforcing the company's solidity, laying the foundations for maintaining and increasing its market capitalisation on a sustainable basis.

GAMESA's customers and suppliers will continue to work with the firm, albeit one that is stronger than ever, has an even broader geographical reach and a presence in both the onshore and offshore businesses, all underpinned by an even more extensive product and technology portfolio.

Our customers have understood that the merger opens up new horizons that will translate into significant benefits for GAMESA and its suppliers. As a result, they will gain access to a business with greater geographical reach and a broader portfolio of products, services and solutions, thanks to the combination of two highly complementary businesses.

Elsewhere, the common terms of merger contemplate a strategic supply agreement with Siemens similar to those already in effect with other suppliers. This agreement means that Siemens will become a supplier of certain parts to GAMESA; it guarantees that these parts will be supplied on competitive terms, thereby preserving access by other suppliers.

It is vital to stress that the volume of business that GAMESA's current suppliers will have access to will not diminish as a result of this agreement. In all likelihood, the opposite will occur: thanks to the merger of the two companies, GAMESA's suppliers will gain access to a broader market in terms of business volumes and geographic footprint. Indeed, GAMESA's outstanding supply chain is one of the company's strengths, one that will not be forsaken.

**Employees**

Lastly, I would like to allude to the possibilities this transaction will open up for Gamesa's and Siemens's professionals. Allow me to re-emphasise the fact that the rationale for this transaction is to deliver growth and scale. It is, therefore, an opportunity for everyone working





at the two companies: we will belong to a benchmark global player, a group focused on profitable growth, one that is better prepared to compete in a global market.

The new company's employees will discover new career opportunities. The transaction is underpinned by complementarity and one of its strong suits is the know-how and expertise contributed by the people who populate both companies. I would like to reassure our employees in this respect and thank them for a job well done: they have brought this company to its current advanced level of quality, competitiveness and development.

We want the people working at Gamesa to feel proud to belong to the winning wind power company we are planning to build, shoulder to shoulder, alongside Siemens Wind Power.

### **Closing remarks**

Ladies and gentlemen, I have peppered my speech with allusions to shared values, complementary profiles, the strategic ambition of creating a leading global turbine maker, benefits for all our stakeholders, a commitment to our roots in our operating markets and respect for GAMESA's DNA.

Allow me to wrap up with two ideas which in my mind are fundamental:

Firstly, the conviction that electricity plays a vital role in the progress of humanity, making a valuable contribution to community development and well-being.

And secondly, our firm belief that by reinforcing the wind power sector, and the renewable energy landscape more generally, we are working towards a better world with less pollution, lower consumption of fossil fuels and more environmentally-committed companies, which is what society in general and our young people in particular are clamouring for.

Ladies and gentleman, I would like to end this speech by sharing my conviction that today, you and we are helping to develop a sector that will shape the future in terms of sustainability, development and well-being. And so I urge you to cast your votes in favour of the merger between GAMESA and SIEMENS's wind power division.

Thank-you, muchas gracias, eskerrik asko!