Independent Audit Report

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2016

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 39)

INDEPENDET AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the consolidated financial statements

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

Director´s responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and consolidated results of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor´s responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and its subsidiaries at December 31, 2016, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and the other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

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

ERNST & YOUNG, S.L.

The original signed in Spanish

February 23, 2017

Gamesa Corporación Tecnológica, S.A. and Subsidiaries composing the GAMESA Group

Auditors' Report

Consolidated Financial Statements for the year ended 31 December 2016

Consolidated Management Report

Translation of a report and consolidated financial statements originally issued in Spanish except for the Note 39. In the event of discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2016 AND 2015 (*)

(Thousands of euros)

ASSETS	Notes	12.31.16	12.31.15 (*)	EQUITY AND LIABILITIES	Notes	12.31.16	12.31.15 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets				**Of the Parent**	18		
Goodwill	8	388,174	388,410	Share capital		47,476	47,476
Other intangible assets	9	169,491	135,975	Share premium		386,415	386,415
		557,665	524,385	Other reserves		1,098,958	976,921
Property, plant and equipment	10			Unrealised asset and liability revaluation reserve		(25,699)	7,675
Property, plant and equipment in use		400,797	327,282	Translation differences		3,151	(15,551)
Property, plant and equipment in the course of construction		19,847	31,889	Treasury shares		(46,897)	(46,244)
		420,644	359,171	Net profit for the year		301,278	170,216
				Other equity instruments			
Investments accounted for using the equity method	11	121,592	127,026			1,764,682	1,526,908
Non-current financial assets	13						
Derivatives	22	91	7,584	**Of non-controlling interests**	19	320	296
Investment securities		25,009	36,423	**Total equity**		1,765,002	1,527,204
Other non-current financial assets		5,631	3,384				
Other non-current financial assets, related companies	32	102,286	99,883				
		133,017	147,274	**NON-CURRENT LIABILITIES:**			
Deferred tax assets	25	435,367	421,788	**Provisions for contingencies and charges**	23	258,929	256,912
Total non-current Assets		1,668,285	1,579,644	**Bank borrowings**	21	424,523	444,902
				Other non-current liabilities	24	38,187	43,940
				Deferred tax liabilities	25	112,887	115,648
				Derivative financial instruments	22	7,176	3,869
				Total non-current liabilities		841,702	865,271
CURRENT ASSETS:				**CURRENT LIABILITIES:**			
Inventories	14	1,035,633	803,259	**Bank borrowings and other financial liabilities**			
Trade and other receivables	15 and 17	1,226,396	988,838	Bank borrowings	21	120,034	102,899
Trade receivables from related companies	32	285,319	81,581	Derivative financial instruments	22	59,903	4,265
Tax receivables	26	301,437	213,083			179,937	107,164
Other receivables		18,834	42,171	**Trade and other payables**	17	2,405,145	1,788,901
Current financial assets				**Trade payables to related companies**	32	407,358	148,721
Derivative financial instruments	22	12,040	9,662	**Other payables**			
Other current financial assets	12	20,848	16,789	Tax payables	26	173,823	100,273
Other current financial assets from related companies	12 and 32	9,673	7,559	Other current liabilities		120,593	102,288
		42,561	34,010			294,416	202,561
Cash and cash equivalent	16	1,295,268	869,333				
Total current assets		4,205,448	3,032,275	**Total current liabilities**		3,286,856	2,247,347
Current assets classified as held for sale	36	21,350	28,746	**Current liabilities associated with assets classified as held for sale**	36	1,523	843
TOTAL ASSETS		5,895,083	4,640,665	**TOTAL EQUITY AND LIABILITIES**		5,895,083	4,640,665

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated balance sheet at December 31, 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED December 31, 2016 and 2015 (*)

(Thousands of euros)

	Notes	Thousands of euros 2016	2015 (*)
Continuing operations:			
Revenue	**7 and 29.A**	4,611,983	3,503,802
+/- Changes in inventories of finished goods and work in progress		123,712	79,575
Procurements	**29.B**	(3,238,991)	(2,478,139)
Other operating income	**29.A**	76,660	63,448
Staff costs	**29.C**	(407,925)	(341,050)
Other operating expenses	**29.D**	(404,597)	(307,490)
Depreciation	**29.E**	(124,600)	(96,053)
Provisions	**29.E**	(157,047)	(133,305)
Net impairment losses on assets		(1,818)	31,957
OPERATING INCOME		**477,377**	**322,745**
Finance income	**29.F**	26,443	13,599
Finance costs	**29.G**	(49,305)	(47,125)
Exchange differences (gains and losses)		(14,968)	(10,632)
Results of companies accounted for using the equity method	**11**	(3,996)	(24,988)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**435,551**	**253,599**
Income tax on profit from continuing operations	**27**	(124,415)	(76,553)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**311,136**	**177,046**
Discontinued operations:			
Profit from the year from discontinued operations	**36**	(8,740)	(7,172)
NET PROFIT FOR THE YEAR		**302,396**	**169,874**
Non-controlling interests	**19**	(1,118)	342
Total profit for the year attributable to the parent		**301,278**	**170,216**
Earnings per share in euros (basic and diluted) from continuing and discontinued operations attributable to the parent	**35**		
From continuing operations		1.1203	0.6424
From discontinued operations		(0.0316)	(0.0260)
Earnings per share in euros (basic and diluted)		**1.0887**	**0.6164**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated income statement for 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31 2016 AND 2015 (*)

(Thousands of euros)

	Notes	2016	2015 (*)
CONSOLIDATED PROFIT FOR THE YEAR		**302,396**	**169,874**
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
Items that can be transferred subsequently to results:			
Income and expense transferred directly to equity			
Arising from cash flow hedges	**18.C**	(41,413)	9,260
Translation differences		18,702	(14,125)
Tax effect	**18.C**	14,321	(3,001)
		(8,390)	**(7,866)**
TOTAL TRANSFERS TO PROFIT OR LOSS			
Arising from cash flow hedges	**18.C**	(8,438)	(516)
Tax effect	**18.C**	2,156	170
		(6,282)	**(346)**
OTHER COMPREHENSIVE INCOME		**(14,672)**	**(8,212)**
TOTAL COMPREHENSIVE INCOME		**287,724**	**161,662**
Attributable to the Parent		286,606	162,004
Attributable to non-controlling interests	**19**	1,118	(342)
TOTAL COMPREHENSIVE INCOME		**287,724**	**161,662**
From continuing operations		296,464	168,834
From discontinued operations		(8,740)	(7,172)

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated statement of comprehensive income for the 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.
AND SUBSIDIARIES COMPOSING THE GAMESA GROUP

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

				Restricted reserves									
	Share capital	**Share premium**	**Unrealised asset and liability revaluation reserve**	**Legal reserve**	**Reserve for redenomination of capital in euros**	**Reserve for treasury shares**	**Treasury shares**	**Other reserves**	**Translation differences**	**Net profit for the year**	**Interim Dividend**	**Non-controlling interests**	**Total equity**
Balances at January 1, 2015 (*)	**47,476**	**386,415**	**1,762**	**8,632**	**1**	**24,873**	**(24,873)**	**850,612**	**(1,426)**	**91,848**	**-**	**93**	**1,385,413**
Total comprehensive income for 2015	-	-	5,913	-	-	-	-	-	(14,125)	170,216	-	(342)	161,662
Distribution of 2014 profit:													
Other reserves	-	-	-	862	-	-	-	68,204	-	(69,066)	-	-	-
Dividend in charge of the outcome of 2014	-	-	-	-	-	-	-	-	-	(22,782)	-	-	(22,782)
Treasury share transactions (Notes 3.P and 18.E)	-	-	-	-	-	21,371	(21,371)	(120)	-	-	-	-	(120)
Incentive plans (Note 18.E)	-	-	-	-	-	-	-	1,639	-	-	-	-	1,639
Other transactions	-	-	-	-	-	-	-	847	-	-	-	545	1,392
Balances at December 31, 2015 (*)	**47,476**	**386,415**	**7,675**	**9,494**	**1**	**46,244**	**(46,244)**	**921,182**	**(15,551)**	**170,216**	**-**	**296**	**1,527,204**
Total comprehensive income for 2016	-	-	(33,374)	-	-	-	-	-	18,702	301,278	-	1,118	287,724
Distribution of 2015 profit:													
Other reserves	-	-	-	-	-	-	-	128,025	-	(128,025)	-	-	-
Dividend in charge of the outcome of 2015	-	-	-	-	-	-	-	-	-	(42,191)	-	-	(42,191)
Treasury share transactions (Notes 3.P and 18.E)	-	-	-	-	-	11,783	(11,783)	616	-	-	-	-	616
Incentive plans (Note 18.E)	-	-	-	-	-	(11,130)	11,130	(7,231)	-	-	-	-	(7,231)
Other transactions	-	-	-	-	-	-	-	(26)	-	-	-	(1,094)	(1,120)
Balances at December 31, 2016	**47,476**	**386,415**	**(25,699)**	**9,494**	**1**	**46,897**	**(46,897)**	**1,042,566**	**3,151**	**301,278**	**-**	**320**	**1,765,002**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the statement of changes in consolidated total equity for the year 2016.

Translation of consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

GAMESA CORPORACIÓN TECNOLÓGICA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FROM CONTINUING OPERATIONS FOR THE YEARS ENDED DECEMBER 31 2016 AND 2015 (*)

(Thousands of euros)

	Notes	2016	2015 (*)
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Cash flows from operating activities:			
Profit before tax		**426,811**	**246,427**
Adjustments for:			
Depreciation charge, provisions and allowances	**9,10,22 and 29.E**	281,647	229,358
Incentive Plan	**18.E and 29.C**	153	1,639
Finance income and costs	**29.F and 29.G**	23,394	45,475
Results of entities valued by the equity method	**11**	3,996	24,988
Net impairment losses on non-current assets	**10 and 11**	1,818	(29,111)
Changes in working capital:			
Change in trade and other receivables		(493,238)	14,861
Change in inventories		(262,083)	(257,211)
Change in trade and other payables		869,480	233,355
Effect of translation differences on working capital of foreign companies		(3,819)	(8,017)
Payments of provisions	**23**	(117,326)	(88,235)
Income taxes charged/(paid)		(54,622)	(60,612)
Interest received		18,614	11,899
Interest paid		(38,506)	(39,752)
Net cash flows from operating activities (I)		**656,319**	**325,064**
Cash flows from investing activities:			
Acquisition of subsidiaries, net of the existing liquid items	**2.G**	8,500	(2,544)
Investments in intangible assets	**9**	(71,979)	(55,520)
Investments in property, plant and equipment	**10**	(139,104)	(112,338)
Investments in other non-current financial assets	**13**	(8,322)	(3,672)
Investments in other current financial assets		(6,347)	(8,005)
Receipts from disposals of intagible assets and property, plant and equipment	**10**	4,681	11,140
Receipts from disposal of financial and non financial assets	**13**	12,640	685
Net Cash flows from investment activities (II)		**(199,931)**	**(170,254)**
Cash flows from financing activities:			
Equity amortisation/(issue) of subsidiaries	**11**	-	5,880
New bank borrowings		14,333	222,441
Dividends paid		(42,191)	(22,782)
Dividends charged	**13.A**	1,980	3,006
Cash outflows relating to bank borrowings		(29,847)	(304,619)
Acquisition and disposals of treasury shares	**18.E**	616	(120)
Net cash flows from financing activities (III)		**(55,109)**	**(96,194)**
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		**24,656**	**(311)**
Effect of changes on cash and cash equivalents and of transfers to assets classified as held for sale held for sale (V)		**-**	**-**
Net increase in cash and cash equivalents from continuing operations (I+II+III+IV+V)		**425,935**	**58,305**
Cash and cash equivalents from continuing operations at beginning of year	**16**	869,333	811,028
Total cash and cash equivalents from continuing operations at end of year	**16**	**1,295,268**	**869,333**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 39 and the Appendix are an integral part of the consolidated statement of cash flows for 2016

Translation of a report and consolidated financial statement originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 39).

Gamesa Corporación Tecnológica, S.A. and Subsidiaries composing the GAMESA Group

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

1. Formation of the Group and its activities

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

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

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

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

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

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

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

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

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

The GAMESA Group currently operates as a manufacturing group and principal supplier of cutting-edge products, facilities and services in the renewable energy industry, as well as maintenance services rendered into the following business units (Note 7):

- Wind Turbines (*)
- Operation and maintenance

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

A. INFORMATION ON THE ENVIRONMENT

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

2. Basis of presentation of the Consolidated Financial Statements and basis of consolidation

A. BASIS OF PRESENTATION

The Consolidated Financial Statements for 2016 of the GAMESA Group were formally prepared:

- By the directors of GAMESA, at the Board of Directors Meeting held on February 22, 2017.

- Since 2005, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, including the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The Consolidated Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value. The principal accounting policies and measurement bases applied in preparing the GAMESA Group's Consolidated Financial Statements for 2016 are summarised in Note 3.

- Taking into account all the mandatory accounting policies and rules and measurement basis with a material effect on the Consolidated Financial Statements.

- So that they present fairly the consolidated equity and consolidated financial position of the GAMESA Group at December 31, 2016, and the consolidated results of its operations and its consolidated cash flows in the year then ended.

- Based on the accounting records kept by GAMESA and by the rest of the Group companies. However, since the accounting policies and measurement basis used in preparing the Group's Consolidated Financial Statements for 2016 (IFRS) could differ from those used by the Group companies when preparing their individual financial statements in accordance with local standards, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards (IFRS).

The Consolidated Financial Statements of the GAMESA Group for 2015 were approved by the shareholders at the General Meeting of GAMESA held on June 22, 2016 and were filed at the Bizkaia Mercantile Registry. The Group's 2016 Consolidated Financial Statements have not yet been approved by the shareholders at the General Meeting. However, the Board of Directors of GAMESA considers that these Consolidated Financial Statements will be approved without any changes.

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

In 2016 new accounting standards and amendments came into force and were therefore taken into account when preparing these Consolidated Financial Statements as the following:

B.1) Standards and amendments published by the IASB (*International Accounting Standards Board)* and adopted by the European Union for its aplication in Europe from January 1, 2016:

- Annual improvements to IFRS – Course 2012-2014.
- Amendments to IFRS 11, Accounting for Acquisitions of shareholdings in Joint Operations.
- Amendments to IAS 16 and IAS 38, Clarification of acceptable depreciation methods.
- Amendments to IAS 1, Initiative on information disclosure.
- Amendments to IFRS 10, IFRS 12 and IFRS 28, Investment entities: Application of the Exception of Consolidation.

These standards did not have a significant impact on these Consolidated Financial Statements.

B.2) At the date of preparation of these Consolidated Financial Statements there the following standards, amendments and interpretations whose effective date is subsequent to December 31, 2016 have been issued:

Standards, amendments and interpretations		**Mandatory application for years beginning from**
Amendments to IAS 7	Initiative on Information Disclosure	January 1, 2017
Amendments to IAS 12	Recognition of Tax Assets	January 1, 2017
IFRS 9	Deferred for Unrealized Losses	January 1, 2018
IFRS 15	Revenue from Customers Contracts	January 1, 2018
Clarifications to IFRS 15	Revenue from Customers Contracts (issued April 12, 2016)	January 1, 2018
Amendments to IFRS 2	Classification and Valuation of Transactions with Action-based price	January 1, 2018
Amendments to IFRS 4	Application of the IFRS 9 Financial Instruments with the IFRS 4 Insurance Contracts	January 1, 2018
Amendments to IAS 20	Transfers of Investment Properties	January 1, 2018
Interpretation of IFRIC 22	Transactions in Foreign Currency and Advance Payments	January 1, 2018
Annual improvements to IFRS, 2014-2016 Cycle	-	January 1, 2017 / 2018
IFRS 16	Leases	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sales or Assets Contribution between an Investor and his Associate or Joint Venture	Indefinitely Postponed

To the date of preparation of the present Consolidated Financial Statements and based on analysis performed to date by the Group, the application of most of them will not have a significant impact on the consolidated financial statements on its scheduled date of application.

However the following standards published but not yet effective, the GAMESA group believes that they could have a significant impact on its Consolidated Financial Statements when they are applicable.

IFRS 15 Revenue from Contracts with Customers

The IFRS 15 establishes the criteria for the accounting records of the revenue from contracts with customers. The Group is currently analyzing the potential impacts that the application of this rule might have on its Consolidated Financial Statements, based on this analysis, we have identified a series of expected impacts related to the following aspects:

- The Group carried out a large part of their sales through assets construction contracts and other more complex constructions. For this type of contracts revenues will come recognizing based on the stage of completion of the same in accordance with the accounting policy adopted at present. In accordance with the accounting policy defined in IFRS 15 for the estimation of the time of recognition of income which requires a transfer of control of the goods or services and that offers a series of indicators to assess such transfers, there may be contracts that are currently considered as of continuing the good or service transfer with the new standard would not have this consideration and would be recognized on a point in time that would coincide with the transfer of control.

- On the other hand, the registration of warranty provisions and maintenance revenue could be modified with the application of the IFRS 15 and instead of expenses to be considered would be one part of the revenue that the Group includes in its contracts.

- Finally, the Group is currently analysing the differences that might exist in the treatment of discounts, incentives, modified, adjustments to prices, etc that may arise in negotiations with customers, and the different legal characteristics that can have in the countries where it operates in contracts with clients that can affect the time of recognition of income.

The Group, considering the characteristics of existing contracts and contracts that may be made during the next financial year, estimates that the modifications introduced by the IFRS 15 can have an impact on its Consolidated Financial Statements but also believes that the impact will be limited and the breakdown of the causes and impacts will give enough information so that users can compare the income statements under the standard currently in force and the IFRS 15.

IFRS 9 Financial Instruments

The Group finds that the main changes that the application of this standard offers will be those related to the documentation of hedge policies and strategies, as well as in the estimation of the expected impairment in the financial assets.

The changes in any case will not have a relevant impact on the overall presentation of the Consolidated Annual Accounts.

IFRS 16 Leases

IFRS 16 sets that the tenants must recognize in its balance of situation the assets and liabilities arising from of all lease contracts (except for them agreements of lease to short term and which have by object actives of low value).

The Group has lease contracts of relevant amount, mainly land, buildings and machinery, which are currently registered as operating leases, registering the payments on straight line basis throughout the contract term.

The Group is currently in an estimation process of the impact of this new standard estimating the reasonably certain term in which the lease is going to be made , based on the not cancelable periods and on the periods that is estimated will be extended the term in those cases in which there is a reasonable certainty. In addition to the lease term, assumptions should be applied to calculate the discount rate.

Notwithstanding the above, the standard allows several transitional alternatives, prospective and retrospective, and some practical solutions for the first application that makes that currently it is not possible to determine the impact that will have the future application of the standard although non-cancellable lease commitments contained in Note 29.D can be used as approximation to the desired impact.

On the other hand, depreciation of the right to use subject to lease assets and recognition of interest on the payment obligation will lead to a different presentation of the amounts recognized in the income statement as a lease expense under the current standard. The classification of payments into the statement of cash flows will also be impacted by this new regulation.

C. FUNCTIONAL AND PRESENTATION CURRENCY

The accounting records kept by Group companies are measured using the currency of the principal economic environment in which the company operates («functional currency»). The Consolidated Financial Statements are shown in thousands of euros, which is GAMESA Group's functional and presentation currency.

Transactions denominated in currencies other than the euro are recognised in accordance with the policies described in Note 3.L.

D. RESPONSIBILITY FOR THE INFORMATION

The information gathered in these Consolidated Financial Statements is the responsibility of GAMESA's Board of Directors.

E. INFORMATION RELATING TO PREVIOUS YEAR

As required by IAS 1, the information related to 2016 contained in these notes to the Consolidated Financial Statements is presented, for comparison purposes, with the information relating to 2015 and, accordingly, it does not constitute the GAMESA Group's statutory Consolidated Financial Statements for 2015.

F. BASIS OF CONSOLIDATION

Subsidiaries

The subsidiaries over which the GAMESA Group exercises control were consolidated by full consolidation method.

Subsidiaries are all companies (including structured entities) over which the Group has control. The Group controls a company when it receives, or is entitled to receive, variable yields due to its involvement in the investee company and it has the capacity to use its control to influence these yields.

Subsidiaries are consolidated from the date on which control is transferred to the Group and they are out of the scope from the date that control ceases.

Joint ventures

A joint venture is an entity in which two or more parties maintain joint control, which is understood to be the distribution of control by a contract concluded in the joint venture agreement and which exists only when the decisions regarding relevant activities require the unanimous consent of the parties sharing control.

GAMESA Group records its stakes in joint ventures on an equity basis.

Associated companies

The associates over which the GAMESA Group is in a position to exercise significant influence, but not control, were accounted for in the consolidated balance sheet using the equity method. For the purpose of preparing these Consolidated Financial Statements, it was considered that the GAMESA Group is in a position to exercise significant influence over companies in which it has an investment of between 20% and 50% of the share capital, except in specific cases where, although the percentage of ownership is lower, the existence of significant influence can be clearly demonstrated. Also, significant influence is deemed not to exist in cases where, although an ownership interest of more than 20% is held, the absence of significant influence can be clearly demonstrated. Significant influence is deemed to exist when the GAMESA Group has the power to influence on the financial and operating policies of an investee (Notes 2.G and 11).

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

Basic standards of consolidation

The operations of GAMESA and of the consolidated companies were consolidated in accordance with the following basic principles:

- The Group is considered to be carrying out a business combination when the assets acquired and liabilities assumed constitute a business. The Group accounts for each business combination by applying the acquisition method, which entails identifying the acquirer, determining the acquisition date-which is the date on which control is obtained- and cost of acquisition, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and, lastly, recognising and measuring goodwill or a gain from a bargain purchase.

- Goodwill arising as described in the preceding paragraph has not been amortised since January 1, 2004, the date of transition to IFRS, although it is reviewed for impairment at least once a year (Note 8).

- Goodwill is initially measured as the amount in excess paid, the amount of any non-controlling stake in a target company and, in a business combination carried out by stages, the fair value at the acquisition date of any prior stakes in the target company's equity, if any, above the fair value of the identifiable net assets acquired. If the total amount paid, the non-controlling stake recognised and the interest previously maintained is less than the fair value of the acquired company's net assets in the event of very favourable conditions, the difference is recognised directly in the income statement.

- Identifiable assets acquired and liabilities assumed are initially valued at their fair value at the acquisition date.

- For each business combination, the buyer will assess in the acquisition date, the components of non-controlling shareholdings held by the acquiree that constitute current ownership and grant the holder the right to a proportional part of the company's net assets in the event of liquidation, at:

  (a) fair value, or

  (b) the proportional part that the current ownership instruments represent in the amounts recognised by the acquiree as net identifiable assets.

  All other components of non-controlling shareholdings will be measured at their fair value at the date of acquisition, unless IFRS require another basis of valuation.

- The value of non-controlling shareholdings in equity and results of the fully consolidated subsidiaries is presented under "Equity - Of Non-Controlling Interests" in the consolidated balance sheet and "Profit for the Year - Attributable to Non-Controlling Interests" in the consolidated income statement.

- Any contingent compensation to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent compensation that is considered to be an asset or a liability are recognised in the income statement or a change in other comprehensive results in accordance with IAS 39. Contingent compensation that is classified as equity is not remeasured and subsequent payment is recorded under equity.

- Acquisitions-related costs are recognised as expenses in the year in which they are incurred and, therefore, are not considered to be an increase in the cost of the combination.

- In business combinations achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss.

- Purchases and sales of non-controlling interests in companies that are and continue to be subsidiaries both prior and subsequent to the aforementioned transactions are considered to be transactions between shareholders and, therefore, the payments made will be recognised in the Group's consolidated equity (Note 19).

- When the Group loses control over a subsidiary, it derecognises its assets (including goodwill) and liabilities and the non-controlling interest at the carrying amount thereof at the date on which control is lost. The consideration received and the investment retained in the aforementioned company are measured at their fair value at the date when control is lost and any gain or loss is recognised in profit or loss.

- The financial statements of foreign companies were translated to euros using the year-end exchange rate method. This method consists of translating to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the Consolidated Financial Statements, the consolidated income statement items at the average exchange rates for the year, and equity at the historical exchange rates at the date of acquisition (or in the case of retained earnings at the average exchange rates for the year in which they were generated), and the differences are recognised with a charge or a credit, as appropriate, to "Equity - Of the Parent - Translation Differences" in the consolidated balance sheet.

- The accompanying Consolidated Financial Statements include certain adjustments to bring the accounting policies and procedures applied by the subsidiaries into line with those of GAMESA.

- All balances and transactions between fully and proportionally consolidated companies have been eliminated in the consolidation. Gains that arise on intra-group transactions that are recognised as assets are also eliminated (including transactions with associated companies).

- The result of accounting for ownership interests using the equity method (after eliminating results on intra-Group transactions) is reflected under "Equity - Of the Parent – Other Reserves" and "Results of Companies Accounted for Using the Equity Method" in the accompanying consolidated balance sheet and consolidated income statement, respectively. The equity method consists of initially recognising the investment at cost and subsequently adjusting it, based on the changes in the portion of the entity's net assets that corresponds to the investor, recognising in the investor's profit or loss the corresponding portion of the investee's result for the year (Note 11).

G. CHANGES IN THE SCOPE OF CONSOLIDATION

The most significant inclusions in the scope of consolidation in 2016 and 2015 were as follows:

<u>Constitution or acquisition of new companies</u>

Year 2016

Company constituted / acquired	Holding company of the stake	Percentage of stake of the Group
Gamesa Apac, S.L.U.	Gamesa Energía, S.A.U.	100%
Gamesa Latam, S.L.U.	Gamesa Energía, S.A.U.	100%
Smardzewo Windfarm Sp. z o.o	Gamesa Energía, S.A.U.	100%
SPV Parco Eolico Banzi S.r.l.	Gamesa Energía, S.A.U.	100%
Gamesa Thailand Co., Ltd	Gamesa Eólica, S.L.U.	100%
Lindomberget Vindenergi AB	Gamesa Wind Sweeden, AB	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	International Wind Farm Development VII S.L.	100%
Nuevas Estrategias de Mantenimiento, S.L.	Gamesa Energía, S.A.U.	50%
SEPE de la Brie des Etangs	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de la Tête des Boucs	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Chepniers	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Orge et Ornain	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Bonboillon	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Souvans	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Sambourg	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Pringy	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Soudé	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Chaintrix Bierges	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Plancy l'Abbaye	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Coupetz	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Trépot	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Bouclans	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Savoisy	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de La Loye	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Longueville sur Aube	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Sceaux	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Guerfand	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%

Company constituted / acquired	Holding company of the stake	Percentage of stake of the Group
SEPE d'Orchamps	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Vaudrey	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Pouilly-sur-Vingeanne	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Mantoche	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Vernierfontaine	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Broyes	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Saint-Lumier en Champagne	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Songy	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Margny	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Saint Bon	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Cernon	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Champsevraine	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Romigny	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Sommesous	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Clamanges	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Saint Amand	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Landresse	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
SEPE de Mailly-le-Camp	Gamesa Inversiones Energéticas Renovables, S.A.U.	100%
9ren España, S.L. y sociedades dependientes	Gamesa Corporación Tecnológica, S.A / Gamesa Energía, S.A.U.	100%

On December 17, 2015, the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 50% of the share capital of Nuevas Estrategias de Mantenimiento, S.L., a Spanish company mainly dedicated to the design, production, development and commercialization of engineering and technological solutions for an amount of €4,500 thousands, being this operation subject to the compliance of several precedent conditions that have been finally resolved in May 2016 , moment at which the results of this society are integrated using the equity method (Note 11). Other mentioned companies are fully consolidated.

Year 2015

Company incorporated / acquired	Holding company of the stake	Percentage of stake of the Group
Adwen Offshore, S.L.	Gamesa Energía, S.A.U.	50%
Gamesa Eólica, S.L. "Branch Jamaica"	Gamesa Eólica, S.L.U.	100%
Gamesa Belgium, S.R.L.	Gamesa Eólica, S.L.U.	100%
Gamesa Israel Ltd.	Gamesa Eólica, S.L.U.	100%
Gamesa Mauritius Ltd.	Gamesa Eólica, S.L.U.	100%
B9 Energy O&M Limited	Gamesa Wind UK, Ltd.	100%

At the end of 2015, the aforementioned companies were fully consolidated with the exception of Adwen Offshore, S.L. which is integrated by the equity method.

On March 9, 2015, the GAMESA Group signed with Areva, S.A. (hereinafter “AREVA”) and other companies of its group, the necessary agreements for the constitution of a company participated 50% by both groups to which each part provides with its offshore business and through which that business was exclusively performed (Note 11 and 38).

On July 29, 2015 the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 100% of the share capital of B9 Energy O&M Limited, a North Irish company mainly dedicated to the render of wind farm maintenance services both in Ireland and United Kingdom, for an amount of

€2,687 thousands (Note 8). At the acquisition date, that company had cash and cash equivalents for an amount of €143 thousands.

Exits from the scope of consolidation - Sales

Year 2016

Company	Activity	Registered Address	%
SAS SEPE Champagne Berrichonne	Operation of wind farms	France	100%
Sistemas Energéticos La Jimena, S.A.	Operation of wind farms	Spain	100%
Energiaki Kali Chitsa, S.A.	Operation of wind farms	Greece	100%
Energiaki Flabouro EPE	Operation of wind farms	Greece	100%
Llynfi Afan Renewable Energy Park Ltd.	Operation of wind farms	UK	100%
Parco Eolico Forleto Nuovo 2 S.r.l	Operation of wind farms	Italy	100%

Year 2015

Company	Activity	Registered Address	%
Medicine Bowl Wind LLC	Operation of wind farms	USA	100%
Southern Windfarm sp. Zoo. W Organizacji	Operation of wind farms	Poland	100%
Windfarm Horst GmbH	Operation of wind farms	Germany	100%
Société D'exploitation Du Parc Eolien Du Tonnerois	Operation of wind farms	France	100%
Suchan Sp z.o.o.	Operation of wind farms	Poland	100%
SAS SEPE du Plateu	Operation of wind farms	France	100%
Eólica dos Arbolitos, S.A.P.I. de C.V.	Operation of wind farms	Mexico	100%
New Broadband Network Solutions, S.L.	Manufacturing and Holding Company	Spain	31.19%

Exits from the scope mainly corresponded to wind farms that have been sold during 2016 and 2015 and whose net assets were classified as stock, so that the sale of them, as it is stated in Note 3.A., has been registered in “Revenue” of 2016 and 2015 consolidated income statement, for an equivalent to the sum of the wind farm’s shares price and the net debt related to that wind farm.

Exits from the scope of consolidation - Winding up of companies

Year 2016

Company	Activity	Registered Address	%
Gamesa Bulgaria, EOOD	Development of wind farms	Bulgaria	100%
Abruzzo Vento, Srl	Operation of wind farms	Italy	100%
2Morrow Energy, LLC	Operation of wind farms	USA	100%
Llanfynydd Renewable Energy Park Ltd.	Operation of wind farms	UK	100%
Shap Renewable Energy Park Ltd.	Operation of wind farms	UK	100%

Year 2015

Company	Activity	Registered Address	%
Sistemas Energéticos Ortegal, S.A.	Electric power production	Spain	80%
Ger Cerbal S.R.L.	Electric power production	Romania	100%
Ger Jirlau S.R.L.	Electric power production	Romania	100%
Ger Ponor S.R.L.	Electric power production	Romania	100%
Ger Pribeagu S.R.L.	Electric power production	Romania	100%
Ger Bordusani S.R.L.	Electric power production	Romania	100%

Company	Activity	Registered Address	%
Coemga Renovables, S.L.	Operation of wind farms	Spain	100%
Coemga Renovables 1 ,S.L.	Operation of wind farms	Spain	100%
Gamesa wind (Tianjin) Co. Ltd, Shanxi Branch	Manufacturing wind turbine components	China	100%
Zefiro Energy S.R.L.	Operation of wind farms	Italy	100%

Changes in the shareholdings of subsidiaries

Year 2016

On December 30, 2016 the GAMESA Group acquired the participation of 51% of 9Ren España, S.L., reaching 100% of this company. The compensation for this 51% has amounted to 8.5 million of euros (Note 11).

Year 2015

The GAMESA Group increased its stake in Lingbo SPW AB in 2015, up to the 100% of the stake of that company over which already had the control. That amendment had no significant impact in the net consolidated equity at December 31, 2015.

Likewise, on March 9, 2015 the GAMESA Group has given the 100% of its stake in Sistemas Energéticos Arinaga, S.A. for the set-up of the new subsidiary at 50% with Areva focused on the offshore business (Notes 10.A and 11).

Other corporate transactions

Year 2016

During 2016, the company Cametor, S.L. has been absorbed by merger in Gamesa Energía, S.A.Unipersonal society by what has not meant any variation in the perimeter of the group.

Also, during the year 2016 has been modified the name of the following companies:

Previous Denomination	New Denomination
Sistemas Energéticos Ventorrillo, S.A.U.	Sistemas Energéticos Ladera Negra, S.A.U.
SAS SEPE Ecueille	SAS SEPE Cote du Cerisat
Windfarm 38 Gmbh	Windfarm Ganderkesee-Lemwerder GmbH
Sistemas Energéticos los Nietos, S.A.U.	Sistemas Energéticos Tomillo, S.A.U.
Infraestructura Generación Valdeconejos, SL.	Sistemas Energéticos Finca de San Juan, S.L.
Harelaw Renewable Energy Park Ltd.	Sellafirth Renewable Energy Park Limited
International Wind Farm Developments III, S.L.	Sistemas Energéticos Tablero Tabordo,S.L.U.
Aberchalder Renewable Energy Park Ltd.	Bargrennan Renewable Energy Park Limited

Year 2015

During 2015, the company Compass Transworld Logistics, S.A. was taken over through merger into the company Gamesa Eólica, S.L.U. so that no variation in the scope of the Group has been occurred.

Additionally, during 2015 the company Gamesa Wind Poland, Sp. Zoo was taken over through merger into the company Gamesa Energía Polska Sp. Zoo. The company Gamesa Energy Sweeden AB was merged by absorption in the company Gamesa Wind Sweden AB, changes that did not have effect on the scope of the Group.

Likewise, during 2015, Cantarey Reinosa, S.A. and Gamesa Electric Power Systems, S.L. were absorbed by Gamesa Electric, S.A. This change did not affect to the scope of the Group.

Finally, during 2015, Gamesa Inversiones Energéticas Renovables S.C.R de régimen simplificado, S.A.Unipersonal has changed its firm name to Gamesa Inversiones Energéticas Renovables, S.A.Unipersonal; also, Gamesa Wind Turbines Private, Ltd changed its firm name to Gamesa Renewable, Ltd.

3. Accounting principles and policies and measurement methods applied

A. REVENUE RECOGNITION

Revenue from sales is measured at the fair value of the assets or rights received as consideration for the goods and services provided in the normal course of the Group companies' business, net of discounts and applicable taxes. Sales of goods are recognised when the goods have been delivered and title thereto has been transferred and services are recognised when rendered. Revenue from construction contracts is recognised in accordance with the GAMESA Group’s accounting policy described in Note 3.B.

Sales of wind farms whose non-current assets are classified as inventories (Note 3.G) are recognised under “Revenue” in the consolidated income statement for the total price of the shares of the wind farm plus the amount of the net borrowings relating to the facility (total debt less current assets). At the same time, the related inventories are derecognised with a charge to “Changes in Inventories of Finished Goods and Work in Progress” in the consolidated income statement. The difference between the two amounts represents the operating profit or loss obtained from the sale.

Each wind farm that has been already sold adopts the legal structure of a public or private limited liability company (see Appendix), the shares of which are fully consolidated in the accompanying Consolidated Financial Statements. As a general rule, a wind farm is effectively sold once it has entered into operation and has successfully completed the start-up period.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

B. STAGE OF COMPLETION

The GAMESA Group applies the percentage of completion method (Note 17) to firm wind farm construction contracts and contracts for the sale of WTGS to non-Group third parties that have the following characteristics:

- There is a firm commitment for the buyer.
- The total revenues to be received may be estimated with an acceptable degree of confidence.
- The costs up until fulfilment of the contract, and the degree of completion to date, can be reliably estimated.
- If the contract is unilaterally finished by the buyer, the latter is obliged to compensate the GAMESA Group for at least the costs and profit margin accrued up to the date of termination.

This policy involves the recognition as revenue in the consolidated income statement of the result of applying to the estimated overall profit margin on each contract for the sale of wind farms the stage of completion of the wind farm at the end of the reporting period.

In the case of the manufacture and assembly of WGTS for third parties outside the GAMESA Group, the stage of completion is measured by reference to economic criteria, calculating the proportion that contract costs incurred until the end of the reporting period bear to the estimated total contract costs to be incurred until contract completion.

The GAMESA Group recognises the total cost incurred plus the relevant margin in excess of that corresponding to the related stage of completion under “Trade and Other Receivables” and “Trade Receivables from Related Companies” in the consolidated balance sheet with a credit to “Revenue” in the consolidated income statement. The costs incurred on the manufacture of wind turbines and the relevant construction of wind energy plants are charged against the heading "Procurements" in the consolidated income statement (Note 17).

If the total estimated costs exceed the contract revenue, the related loss is recognised immediately in the consolidated income statement (Notes 3.Q).

If circumstances arise that change the initial estimates made for ordinary income, costs or the extent of completion, the estimates are changed. Revisions may result in increases or decreases in estimated income and costs and they are reflected in the income statement in the period in which the circumstances giving rise to those revisions are known by management.

C. GOODWILL

Goodwill is initially measured as the amount in excess paid, the amount of any non-controlling stake in a target company and, in a business combination carried out by stages, the fair value at the acquisition date of any prior stakes in the target company's equity above the fair value of the identifiable net assets acquired. If the total amount paid, the non-controlling stake recognised and the interest previously maintained is less than the fair value of the acquired company's net assets in the event of very favourable conditions, the difference is recognised directly in the income statement.

Goodwill is not depreciated and at least at the end of each financial year it has to be estimated if there has been any impairment that reduce its recoverable value to an amount smaller than the net cost registered, doing, in such case, an appropriate provision (Note 3.F).

D. OTHER INTANGIBLE ASSETS

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

<u>Internally generated intangible assets - Development expenditure</u>

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

In accordance with IFRS, the GAMESA Group classifies as intangible assets the expenses incurred in the development of projects for which it can be demonstrated that the following conditions have been met:

- The expenditure is specifically identified and controlled by project and its distribution over time is clearly defined.
- They are feasible projects from a technical standpoint; it is intended to complete the projects and it is possible to use the results thereof.
- There are technical and financial resources to be able to complete the project.
- The project development expenditure can be measured reliably.
- Future economic benefits will foreseeably be generated through the sale or use of the project by the GAMESA Group.

If it cannot be demonstrated that these conditions have been met, development expenditure is recognised as an expense in the period in which it is incurred.

In-house work performed by the GAMESA Group on intangible assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of the hourly costs of the employees engaged therein), and is recognised with a credit to the account “Other Operating income - Group work on non-current assets” in the consolidated income statement (Note 29.A).

The amortisation of development expenditures begins when the projects are in the conditions necessary for them to be capable of operating in the manner initially intended by the GAMESA Group. The expenditure is amortised in general on a straight-line basis over the estimated period of time that the new product will generate economic benefits, in a maximum of 5 years.

<u>Concessions, patents, licences, trademarks and similar</u>

The amounts recognised by the GAMESA Group in connection with concessions, patents, licences and similar items relate to the costs incurred in their acquisition, which are amortised on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years.

Software

The acquisition and development costs incurred in relation to the basic computer systems used in the management of the GAMESA Group are recognised with a charge to "Other Intangible Assets" in the consolidated balance sheet. The costs of maintaining computer systems are charged against the consolidated income statement in the year in which they are incurred.

Computer software is amortised on a straight-line basis over five years from the entry into service of each application.

E. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, which are all for own use, are stated in the balance sheet at acquisition cost less any accumulated depreciation and any recognised impairment losses. In addition to purchase price, acquisition cost includes non-recoverable indirect taxes and any other costs related directly to the entry into service of the asset for its intended use (including interest and other borrowing costs incurred during the construction period).

The costs of expansion, modernisation or improvements leading to increase productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised, together with the borrowing costs incurred during the construction period only. Repairs that do not lead to a lengthening of the useful lives of the assets and maintenance expenses are charged to the income statement for the year in which they are incurred.

In-house work performed by the GAMESA Group on property, plant and equipment assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of the hourly costs of the employees engaged therein), and is recognised with a credit to the account "Other operating income - Group work on non-current Assets" in the consolidated income statement (Note 29.A).

The GAMESA Group depreciates its property, plant and equipment using the straight-line method, distributing the cost of the assets over the following years of estimated useful life:

	Average estimated useful life
Buildings	20 – 33
Plant and machinery	5 – 10
Other property, plant and equipment	3 – 10

Since the GAMESA Group does not have to incur any significant costs in relation to the closure of its facilities (disassembly or other similar costs) the accompanying consolidated balance sheet does not include any provisions in this connection.

F. ASSET IMPAIRMENT

At the end of each financial statements, the GAMESA Group reviews its non-current assets to determine whether there is any evidence that those assets might have suffered an impairment loss. If there was any evidence, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the GAMESA Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In the case of goodwill and other intangible assets with an indefinite useful life or which have not yet came into operation, at the end of each reporting period GAMESA Group systematically analysis their recoverability, unless they present signs of impairment, in which case it will be directly estimated the recoverable amount of that asset (Notes 3.C, 8, 9 and 10).

The recoverable amount is the higher of its value in use and its fair value less the costs to sell, which is taken to be the present value of the estimated future cash flows. In assessing value in use, the assumptions used in making the estimates include pre-tax discount rates, growth rates and expected changes in selling prices and costs. The GAMESA Group estimates pre-tax discount rates which reflect the time value of money and the risks specific to the cash-generating unit. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts and experience and future expectations, respectively.

The discount rates used by the GAMESA Group are based on the weighted average cost of capital (WACC), which is 8.2% (8.5% in 2015), depending on the risks associated with each specific asset.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised for the difference with a charge to the consolidated income statement. Impairment losses recognised for an asset in prior years are reversed when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised, except in the case of the impairment of goodwill, which must not be reversed.

G. INVENTORIES

"Inventories" in the consolidated balance sheet includes the assets that the GAMESA Group:

- holds for sale in the ordinary course of its business,
- has in process of production, construction or development to this end, or
- expects to consume them in the production process or in the provision of services.

Raw materials and supplies, work in progress and finished goods are stated at the lower of average acquisition or production cost and realisable value.

Goods held for resale are stated at the lower of acquisition cost and market value.

The non-current assets (basically WTGS, fixtures and civil engineering work) of the wind farms that are included in the scope of consolidation and are held for sale are classified as inventories and are measured in the same way as other inventories, including the borrowing costs borne until they are ready for use.

If a wind farm held for sale has been in operation for more than one year and has no related third-party purchase commitment, purchase option or similar agreements, and none is any foreseen, the non-current assets assigned thereto are transferred from "Inventories" to "Property, Plant and Equipment - Property, Plant and Equipment in Use" in the consolidated balance sheet.

Obsolete, defective or slow-moving inventories have generally been registered at realisable value.

H. FINANCIAL ASSETS AND LIABILITIES

Financial investments

Investments are recognised initially at fair value plus the transaction costs for all financial assets not carried at fair value through changes in profit or loss. Financial assets stated at fair value through changes in profit and loss are initially recognised at their fair value and the transaction costs are expensed in the income statement.

The GAMESA Group classifies its current and non-current financial assets in the following four categories:

- Financial assets at fair value through changes in profit or loss: These assets have certain of the following characteristics:
  - The GAMESA Group intends to generate a profit from short-term fluctuations in their prices.
  - They have been included in this asset category since initial recognition, since they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
  - Derivative financial instruments that do not qualify for hedge accounting.

  The financial assets included in this category are stated in the consolidated balance sheet at fair value, and the changes in fair value are recognised under "Finance Costs", "Finance

Income" and "Exchange Differences (Gains and Losses)", as appropriate, in the consolidated income statement.

The GAMESA Group recognises in this category derivative financial instruments which, although they are effective as hedges in accordance with the GAMESA Group's risk management policies, do not qualify for hedge accounting under IAS 39, Financial Instruments. At December 31, 2016 and 2015, the impact of these financial instruments on the accompanying Consolidated Financial Statements is not material (Note 22).

- Held-to-maturity investments: These are financial assets with fixed or determinable payments and fixed maturity that the GAMESA Group has the positive intention to hold until the date of maturity. The assets included in this category are measured at amortised cost, and the interest income is recognised in profit or loss on the basis of the effective interest rate. The amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. The effective interest rate is the discount rate that, at the date of acquisition of the asset, exactly matches the initial amount of a financial instrument to all its estimated cash flows of all kinds through its residual life.

  At December 31, 2016 and 2015, the GAMESA Group did not have any financial assets in this category.

- Loans and receivables: These are financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. The assets included in this category are also measured at "amortised cost" and are tested for impairment.

- Available-for-sale financial assets: These are financial assets not classified in any of the aforementioned three categories, nearly all of which relate to equity investments. These assets are presented in the consolidated balance sheet at fair value, which in the case of unlisted companies, is obtained using alternative methods, such as comparison with similar transactions or, if sufficient information is available, by discounting expected future cash flows. Changes in this market value are recognised with a charge or a credit to "Equity - Of the parent - Unrealised asset and liability revaluation reserve" in the consolidated balance sheet until these investments are disposed of, at which time the accumulated balance of this heading related to these investments is fully allocated to the consolidated income statement.

  However, investments in the share capital of unlisted companies whose fair value cannot be measured reliably are measured at acquisition cost. This procedure was used for all the available-for-sale financial assets at December 31, 2016 and 2015 (Note 12).

Management of the GAMESA Group decides on the most appropriate classification for each asset on acquisition and reviews the classification at the end of each reporting period.

Category of financial assets at fair value

Following is the analysis of the financial instruments which at December 31, 2016 and 2015 were measured at fair value subsequent to their initial recognition, classified in categories from 1 to 3, depending on the fair value measurement method:

- Category 1: their fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.

- Category 2: their fair value is determined using observable market inputs other than the quoted prices included in category 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices).

- Category 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable in the market.

Thousands of euros	Fair value at December 31, 2016 Category 1	Category 2	Category 3	Total
Non-current Financial Asset				
Derivative financial instruments (Note 22)	-	91	-	91
Current Financial Asset				
Derivative financial instruments (Note 22)	-	1,790	10,250	12,040
Non-current Liability				
Derivative financial instruments (Note 22)	-	(7,176)	-	(7,176)
Current Liability				
Derivative financial instruments (Note 22)	-	(42,818)	(17,085)	(59,903)
Total	**-**	**(48,113)**	**(6,835)**	**(54,948)**

Thousands of euros	Fair value at December 31, 2015 Category 1	Category 2	Category 3	Total
Non-current Financial Asset				
Derivative financial instruments (Note 22)	-	7,584	-	7,584
Current Financial Asset				
Derivative financial instruments (Note 22)	-	9,662	-	9,662
Non-current Liability				
Derivative financial instruments (Note 22)	-	(3,869)	-	(3,869)
Current Liability				
Derivative financial instruments (Note 22)	-	(4,265)	-	(4,265)
Total	**-**	**9,112**	**-**	**9,112**

The market value of the various financial instruments is calculated as follows:

- The market value of derivatives listed on an organised market is their market price at year-end.

- Hedging and trading derivatives consist of forward exchange rate contracts, interest rate swaps and raw material swaps (electricity). These forward exchange rate contracts have been stated at fair value using the forward exchange rates listed on an active market. Interest-rate swaps are measured at fair value using forward interest rates extracted from observable yield curves. Raw material swaps are measured at fair value using the prices and interests from observable yield curves. The effects of discounting are generally not significant for level 2 derivatives.

- To measure derivatives not traded on an organised market, the GAMESA Group uses assumptions based on year-end market conditions. Specifically, the fair value of interest rate swaps is calculated by discounting at a market interest rate the difference between the swap rates, and the market value of foreign currency forward contracts is determined by discounting the estimated future cash flows using the forward rates existing at year-end; and the market value of raw material swap contracts are calculated by discounting the estimated cash flows, estimating the future prices at the year end.

- The amounts reflected in level 3 refer to the options given and received for the purchase of Adwen, which is described in Note 38.

- The Group's policy is to recognize transfers to or from the fair value hierarchy levels on the date of the event concerned or the date on which the circumstances that gave rise to the transfer change.

- There have been no transfers at any level during 2016.

- The measurement criteria for the derivatives at December 31, 2016 are those taken into consideration by IFRS 13, considering credit risk, including the one of GAMESA, over the fair value of certain financial instruments. Credit risk is the possibility of incurring a loss if the counter party to a transaction does not fully comply with its financial obligations agreed by contract in due time, form or amount. However, in general terms, it may also be defined as a decline in the value of assets due to the impairment of the counterparty's credit rating, even in the case where the counterparty fully complies with agreed payments. The impact due to the adjustment for credit risk made to the measurement of financial instruments depends on several factors.

- A higher nominal amount implies a larger loss in the event of delinquency by one of the parties.

- Longer-term means higher credit risk.

- Counterparty credit ratings are the primary risk factor.

- Guarantees are signed in order to reduce the exposure to counterparty credit risk.

The application of IFRS 13 to the measurement of derivatives at December 31, 2016 and 2015 did not give rise to any significant impact.

The effect of credit risk on the measurement of financial instruments depends on their future settlement. In the event that the settlement is favourable to the Group, a credit spread for the counterparty is included to quantify the probability of non-payment at maturity. Otherwise, if the settlement is expected to be negative for the Group the credit risk itself is applied to the final settlement for the Group. To determine whether or not the future settlements are favourable to the Group, a stochastic model must be used that simulates the performance of the derivative in various scenarios using complex mathematical models based on the volatility of the underlying asset, and applying the resulting credit spread in each simulation. The fair value of the rest of the financial assets and liabilities measured at amortized cost is considered to approximate their carrying value in accordance with IFRS 13.

Impairment of financial assets

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

The GAMESA Group considers that a significant or prolonged decrease in fair value to below cost of unlisted shares classified as available for sale is objective evidence that the instrument has become impaired.

For the other financial assets, the GAMESA Group considers the following to be objective indicators of impairment:

- financial difficulty of the issuer or significant counterparty;

- default or delay in interest or principal repayments; or

- likelihood that the borrower will go bankruptcy or a financial reorganisation process.

Cash and cash equivalents

“Cash and Cash Equivalents” in the consolidated balance sheet includes cash on hand, demand deposits and other highly liquid short-term investments that can be readily realised in cash (within a maximum of 3 months) and are not subject to a risk of changes in value (Note 16).

Bank borrowings

Loans, bonds and similar interest-bearing items are initially recognised at the amount received, net of direct issue costs, under “Bank Borrowings” in the consolidated balance sheet. Borrowing costs are recognised on an accrual basis in the consolidated income statement using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise. Also, obligations under finance leases are recognised at the present value of the lease payments under this consolidated balance sheet heading (Note 21).

Trade payables

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

Derivative financial instruments and hedge accounting (Note 22)

Financial derivatives are initially recognised at fair value in the consolidated balance sheet and the required valuation adjustments are subsequently made to reflect their fair value at all times. Gains and losses arising from these changes are recognised in the consolidated income statement, unless the derivative has been designated as a hedge which is highly effective, in which case it is recognised as follows:

- In the case of fair value hedges, changes in the fair value of the derivative financial instruments designated as hedges and changes in the fair value of a hedged item due to the hedged risk are recognised with a charge or credit, as appropriate, to the consolidated income statement.

- In the case of cash flow hedges, the changes in the fair value of the hedging derivatives are recognised, in respect of the ineffective portion of the hedges, in the consolidated income statement, and the effective portion is recognised under “Equity - Of the parent - Unrealised asset and liability revaluation reserve” and “Equity - Of the parent - Conversion Differences”, respectively, in the consolidated balance sheet. If a hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a non-financial liability, this balance is taken into account in the initial measurement of the asset or liability arising from the hedged transaction. If a hedge of a firm commitment or forecasted transaction does not result in the recognition of a non-financial asset or a non-financial liability, the amount recognised under “Equity - Of the parent - unrealised asset and liability revaluation reserve” in the consolidated balance sheet is recognised in the consolidated income statement in the same period as that in which the hedged item affects the net profit or loss.

  The GAMESA Group tests the effectiveness of its hedges, and the related tests are performed prospectively and retrospectively.

When hedge accounting is discontinued, any cumulative loss or gain at that date recognised under “Equity - Of the parent - Unrealised asset and liability revaluation reserve” is retained under that heading until the hedged transaction occurs, at which time the loss or gain on the transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned heading is transferred to the consolidated income statement.

Derivatives embedded in other financial instruments are treated as separate derivatives in accordance with the policies described in this Note for the other derivatives when their characteristics and risks are not closely related to those of the host contracts and the host contracts are not stated at fair value, and the changes in value are recognised with a charge or a credit to the consolidated income statement.

Financial liabilities and equity instruments

The financial liabilities and equity instruments issued by the GAMESA Group are classified on the basis of the nature of the issue as liabilities or equity instruments, as appropriate.

The GAMESA Group considers equity instruments to be any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Disposal of financial instruments

The GAMESA Group derecognises financial instruments only when the contractual rights on the cash flows from the assets expire, or the financial asset and substantially all the risks and rewards of ownership are transferred to another entity.

The Group derecognises the collection rights assigned ("factorized") and drawn down, since the rewards, rights and risks associated with these accounts receivable are contractually transferred to the factor, and, specifically, the factor assumes the related bad debt risk. The unmatured balances receivable arising from without-recourse factoring transactions at December 31, 2016 that were derecognised by the Group amounted to €197 million (€120.5 million at December 31, 2015). The average amount of factored receivables in 2016 was €109 million (€175.5 million in 2015).

An exchange of debt instruments between a lender and borrower, provided that the instruments have substantially different conditions, will be recognised as the cancellation of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the current conditions governing a financial liability or a portion thereof (regardless of whether or not it is attributable to financial difficulties affecting the debtor) is recognised as a cancellation of the original financial liability and a new financial liability is recognised (Note 21).

I. NON-CURRENT ASSETS (OR DISPOSAL GROUPS OF ASSETS) CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use, for which they must be available for immediate sale in their present condition and their sale must be highly probable.

For the sale of an asset or disposal group to be highly probable, the following conditions must be met:

- The GAMESA Group must be committed to a plan to sell the asset or disposal group.
- An active programme to locate a buyer and complete the plan must have been initiated.
- The asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to be qualified for recognition as a completed sale within one year from the date of classification as held for sale.
- It is unlikely that significant changes to the plan will be made.

Assets and disposal groups classified as held for sale are measured in the consolidated balance sheet at the lower of carrying amount and fair value less costs to sell. Also, non-current assets are not depreciated while they are classified as held for sale.

There are events and circumstances that could spend the period necessary to complete the sale beyond one year. An extension of the period required to complete a sale does not mean that the asset (or disposable group of assets) is classified as held-for-sale if the delay is caused by events or circumstances outside of the company's control and there is sufficient evidence that the company remains committed to its plan to sell the asset (or disposable group of assets).

A discontinued transaction or activity is a component that has been sold or otherwise disposed of, or classified as held for sale and:

- represents a significant line of business or a geographic area and which may be considered to be independent from the rest;
- forms part of an individual and co-ordinated plan to sell or otherwise dispose of a significant line of business or a geographic area of operations that may be considered to be independent from the rest, or
- is a subsidiary acquired solely for the purpose of resale.

J. LEASES

The GAMESA Group classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are classified in the appropriate asset category in the consolidated balance sheet based on their nature and function at the lower of the fair value of the leased asset and the aggregate present values of the amounts payable to the lessor plus the purchase option, with a credit to “Bank borrowings” in the consolidated balance sheet. These assets are depreciated using methods similar to those used for the assets owned by the GAMESA Group (Notes 3.D, 3.E and 10).

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

K. SEGMENT REPORTING

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

L. TRANSACTIONS IN FOREIGN CURRENCY

Group companies

The functional currency of most of the GAMESA Group companies is the euro.

For all of the GAMESA Group’s foreign companies with a functional currency other than the euro, the functional currency is the same as the local currency. Therefore, there are no functional currencies which are different from the local currencies in which each company pays the corresponding income tax. Consequently, changes in exchange rates do not give rise to any temporary differences which might lead to the recognition of a deferred tax asset or liability.

Transactions and balances

Transactions in a currency other than the functional currency of the GAMESA Group companies are translated to euros at the exchange rates prevailing on the date of the transaction. During the year, exchange differences between the exchange rate at which the transaction was translated and the exchange rate at which the collection or payment was translated are recognised with a charge or a credit to the consolidated income statement.

Also, foreign currency fixed-income securities and receivables and payables at December 31, of each year are translated to the functional currency at the exchange rates prevailing at the consolidated balance sheet date. Any exchange differences arising are recognised with a charge or a credit, as appropriate, to “Exchange differences (Gains and Losses)” in the consolidated income statement.

Exchange differences arising on a monetary item that forms part of the net investment in a company's foreign investment is recognised in profit and loss in the separate financial statements for the reporting company, or in the individual financial statements for the foreign business, as appropriate. In the Consolidated Financial Statements that can attain the foreign business and the reporting company, those exchange differences are initially recognised as a component separate from equity under the heading exchange differences and they are subsequently recognised in profit and loss when the foreign business is disposed or the investment is recovered fully or partially by other means (Note 20).

The hedges that the GAMESA Group uses to reduce foreign currency risk are described in Note 22.

The detail of the equivalent euro value of the monetary assets and liabilities denominated in currencies other than the euro held by the GAMESA Group at December 31, 2016 and 2015 is as follows:

	Equivalent value in thousands of euros			
	12.31.2016		12.31.2015	
Currency	Assets	Liabilities	Assets	Liabilities
Pound Sterling	23,939	14,351	5,428	2,216
US Dollar	499,801	476,588	524,599	663,275
Japanese Yen	2,048	2,046	1,931	702
Egyptian Pound	13,033	9,219	25,649	14,969
Chinese Yuan	332,669	250,434	274,089	289,796
Polish Zloty	27,069	2,187	5,945	6,788
Indian Rupee	637,975	556,782	381,159	263,946
Brazilian Real	260,715	282,972	280,326	248,149
Moroccan Dirham	26,377	1,601	9,95	18,851
Romanian Lev	1,843	1,451	762	5,003
Mexican Peso	153,231	21,901	94,418	5,525
Other currencies	68,881	49,378	23,660	37,725
Total	**2,047,581**	**1,668,910**	**1,627,916**	**1,556,945**

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

	Equivalent value in thousands of euros			
	12.31.2016		12.31.2015	
Nature of the Balances	Assets	Liabilities	Assets	Liabilities
Trade receivables (Note 15)	930,083	-	934,781	-
Cash and other equivalent liquid assets (Note 16)	1,117,498	-	693,135	-
Payables	-	1,628,052	-	1,491,301
Bank borrowings (Note 21)	-	40,858	-	65,644
Total	**2,047,581**	**1,668,910**	**1,627,916**	**1,556,945**

M. GOVERNMENT GRANTS

Government grants related to assets are deducted from the carrying amount of the assets financed by them and, therefore, they reduce the annual depreciation/amortisation charge relating to each asset over its useful life (Notes 9 and 10).

Grants related to income are allocated to income in the year in which the related expenses are incurred. “Other operating income” in the consolidated income statements for 2016 and 2015 includes €959 and €664 thousands, respectively, in this connection (Note 29.A).

N. CLASSIFICATION OF CURRENT AND NON-CURRENT LIABILITIES

Liabilities are classified as current or non-current on the basis of the projected period to maturity, disposal or settlement. Therefore, non-current liabilities are amounts due to be settled within more than twelve months from the date of the consolidated balance sheet, except as explained below.

Loans and credit facilities assigned to wind farms held for sale are classified at current or non-current on the basis of the period in which the wind farm will foreseeably be sold, since such sale, which is carried out through the sale of the shares of the public/private limited liability companies in which these wind farms are legally structured, entails the exclusion from the scope of consolidation of all the assets and liabilities of the wind farms.

Accordingly, regardless of the repayment schedule contractually relating to these borrowings, the total amount of borrowings assigned to the wind farms that will foreseeably be sold within twelve months from year-end is classified as a current liability.

O. INCOME TAX

Since 2002 GAMESA and certain subsidiaries located in the Basque Country subject to local income tax legislation pay taxes under the special consolidated tax regime. This regime is now regulated under the chapter VI of the title VI of the local Income Tax Regulation 11/2013, of December 5, of the Bizkaia Historical Territory.

Also, since 2010 the subsidiaries located in the Autonomous Community of Navarre Gamesa Eólica, S.L., Gamesa Innovation and Technology, S.L. Unipersonal and Estructuras Metálicas Singulares, S.A. Unipersonal have filed consolidated tax returns pursuant to Navarre Corporation Tax Regulation 24/1996, of December 30.

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

Foreign companies and the rest of the Spanish companies that are not taxed under tax consolidation are taxed in accordance with the legislation in force in their respective jurisdictions.

The income tax expense is accounted for using the balance sheet liability method. This method consists of determining deferred tax assets and liabilities on the basis of the differences between the carrying amounts of assets and liabilities and their tax base, using the tax rates that can objectively be expected to apply when the assets are realised and the liabilities are settled. Deferred tax assets and liabilities arising from direct charges or credits to equity accounts are also accounted for with a charge or credit to equity.

However, if the deferred taxes arise from the initial recognition of an asset or liability on a transaction other than a business combination that at the time of the transaction has no effect on the tax gain or loss, they are recognised.

The GAMESA Group recognises deferred tax assets to the extent that it is expected that there will be future taxable profits against which tax assets arising from temporary differences can be utilised (Notes 25 and 27).

Deferred income tax is provided on temporary differences arising on subsidiary's undistributed profits, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Double taxation and other tax credits and tax relief earned as a result of economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

P. PARENT COMPANY TREASURY SHARES

The treasury shares held by the Parent of the GAMESA Group at year-end are recognised at acquisition cost with a charge to “Equity - Of the Parent - Treasury Shares” in the consolidated balance sheet (Note 18.E).

The gains and losses obtained by the GAMESA Group on disposals of treasury shares are recognised with a charge or a credit to the Group's consolidated equity.

Q. PROVISIONS

A distinction is drawn between:

- Provisions: present obligations at the balance sheet date arising from past events which are uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the consolidated companies; or possible obligations, whose occurrence is unlikely or whose amount cannot be reliably estimated.

The Group's Consolidated Financial Statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled and whose amount can be measured reliably. Contingent liabilities are not recognised in the Consolidated Financial Statements but rather are disclosed, except for those which arise in business combinations (Notes 2.G).

Provisions - which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year - are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions are recognised when the liability or obligation arises with a charge to the relevant heading in the consolidated income statement based on the nature of the obligation, for the present value of the provision when the effect of discounting the obligation is material.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the best estimate of the expenditure required by the GAMESA Group to settle its liability, calculated on the basis of historical information and reports drawn up by the Technical Department (Note 23).

Present obligations deriving from those contracts considered to be onerous are recognised and recorded as provisions (Notes 3.B and 23). Onerous contracts are considered to be those in which the unavoidable costs to comply with the associated obligations exceed the financial benefits that are expected to be received from those contracts.

Court proceedings and/or claims in progress

At December 31, 2016 and 2015, certain litigation and claims were in progress against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and its Directors consider that the provisions recognised for this purpose are sufficient and that the outcome of these proceedings and claims will not have an additional material effect on the Consolidated Financial Statements for the years in which they are settled (Note 23).

At December 31, 2016 and 2015, there were no significant contingent liabilities or provisions that had not been recognised or disclosed in these Consolidated Financial Statements.

R. TERMINATION BENEFITS

Under current labour legislation, the consolidated companies are required to pay termination benefits to employees terminated under certain conditions. The provisions related to restructuring processes when the Group has the implicit obligation to cover an outflow of resources due to the existence of a detailed formal plan and the generation of valid expectations among affected parties that the process will take place, either because the plan has started to be executed or because its main characteristics have been announced. The provisions for restructuring only include the payments that are directly related to restructuring that are not associated with the Group's continuing operations.

S. SHARE-BASED PAYMENT

Equity-settled share-based payments are measured at the fair value of these obligations at the date of grant. This fair value is expensed on a straight-line basis over the vesting period, based on the GAMESA Group's estimate of the shares that will ultimately be delivered and credited to equity (Note 18.E).

Fair value is measured using the market prices available on the measurement date, taking into account the characteristics of the related plan.

If a concession of equity instruments is cancelled or liquidated during the period in which the concession is irrevocable (for a reason other than cancellation for failure to comply with the conditions for its irrevocable nature), GAMESA Group recognises the cancelation or liquidation as an acceleration of the consolidation of rights and, accordingly, will immediately recognise the amount in accordance with the preceding paragraphs that otherwise would have been recognised for the services received over the course of the period remaining for complying with the conditions.

For cash-settled share-based payments, a liability equal to their current fair value determined at each balance sheet date is recognised.

T. CONSOLIDATED CASH FLOW STATEMENT

The GAMESA Group presents the consolidated cash flow statement using the indirect method, whereby first the net profit or loss is presented, which is then corrected for the effects of non-monetary transactions, of all manner of deferred and accrued payment items resulting from collections and payments in the past or in the future, and of consolidated income statement items associated with cash flows from activities classified as investing or financing activities.

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: The principal revenue-producing activities of the GAMESA Group companies and other activities that are not investing or financing activities.

- Investing activities: The acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: Activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

There have been no significant additional non-monetary transactions in 2016 and 2015.

U. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding during the year, excluding the average number of GAMESA shares held.

Diluted earnings per share are calculated by dividing the net profit or loss for the year by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For such purposes, conversion is deemed to take place at the start of the period or when the potentially dilutive ordinary shares are issued, where they have become outstanding during the period in question.

Basic earnings per share in 2016 and 2015 coincided with diluted earnings per share, since there were no potential shares outstanding in those years (Note 35).

V. DIVIDENDS

Any interim dividends approved by the Board of Directors are deducted from “Equity - Of the Parent” in the consolidated balance sheet. However, the final dividends proposed by the Board of Directors of GAMESA to the shareholders at the General Meeting are not deducted from equity until they have been approved by the latter.

During the fiscal years 2015 and 2016 have not been distributed interim dividends.

W. INTEREST COST

General and specific interest expense directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily require a substantial period of time to be prepared for use or sale, the cost of those assets is added, up until the time at which they are substantially prepared for use or sale.

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

All other interest expenses are recognised in the income statement in the year in which they are incurred.

4. Financial risk management policy

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

A. *MARKET RISK (FOREIGN CURRENCY RISK)*

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

In line with this, the Group also includes in certain circumstances formulas to mitigate exchange rate risk in the contracts with its clients.

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

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

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

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

The main foreign currency balances at December 31, 2016 and 2015 are detailed in Note 3.L to the accompanying notes to the Consolidated Financial Statements.

The instruments used to hedge against this risk are basically exchange rate swaps (Note 22).

The following table shows the effects on profit and loss and equity of the changes in exchange rates at the year-end for the Group's most significant currencies:

Thousands of euros		**Debit / (Credit) (*)**			
		Devaluation 5% of euro		**Appreciation 5% of euro**	
Currency	**Exchange rate at 12.31.2016**	**Impact on profits before taxes**	**Impact on equity before taxes**	**Impact on profits before taxes**	**Impact on equity before taxes**
US Dollar	1.0541	(1,636)	(10,231)	1,480	9,257
Chinese Yuan	7.3202	(1,620)	(5,450)	1,466	4,931
Indian Rupee	71.5922	(4,963)	(12,573)	4,490	11,375
Brazilian Real	3.4305	(1,207)	(5,725)	1,092	5,180
Mexican Peso	21.7742	(451)	(2,950)	408	2,669

Thousands of euros		**Debit / (Credit) (*)**			
		Devaluation 5% of euro		**Appreciation 5% of euro**	
Currency	**Exchange rate at 12.31.2015**	**Impact on profits before taxes**	**Impact on equity before taxes**	**Impact on profits before taxes**	**Impact on equity before taxes**
US Dollar	1.0887	(866)	(6,426)	783	5,814
Chinese Yuan	7.0608	(1,585)	(13,365)	1,434	3,652
Indian Rupee	72.0203	(2,903)	(9,390)	2,627	8,503
Brazilian Real	4.3117	(940)	(4,345)	851	3,931
Mexican Peso	18.7873	(556)	(2,316)	503	2,096

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

B. MARKET RISK (PRICE)

The price risk considered by the Group is related to the price of raw materials that the Group mitigates, in general, transferring the risk to customers through sales contracts.

C. MARKET RISK (INTEREST RATE)

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

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

The hedging instruments assigned specifically to debt instruments are limited to a maximum of the same nominal amounts and have the same established maturities as the hedged items (Note 22).

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

The debt structure at December 31, 2016 and 2015, drawing a distinction between fixed and floating rate borrowings (Note 21), is as follows:

Thousands of euros	2016		2015	
	Excluding hedges	Including hedges	Excluding hedges	Including hedges
Fixed Income	-	218,455	-	220,777
Variable Rate	544,557	326,102	547,801	327,024

The floating-rate debt is basically tied to the LIBOR or EURIBOR.

The sensitivity of results and equity to changes in interest rates, taking into consideration the effect of the interest rate hedging derivatives, is as follows:

Thousands of euros	Debit / (Credit) (*)			
	Variation in interest -0.25%		Variation in interest +0.25%	
	Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
Year 2016	(992)	(8)	992	8
Year 2015	(1,646)	(6)	1,646	6

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

D. LIQUIDITY RISK

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

Also, in 2016 the GAMESA Group had an average of unused credit facilities equal to approximately 67.12% of the bank financing drawn down (66.42% in 2015).

E. CREDIT RISK

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

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

The analysis of the age of financial assets outstanding for which no provision whatsoever has been deemed necessary at December 31, 2016 and December 31, 2015 is as follows:

Thousands of euros	2016	2015
90 - 180 days	34,607	18,784
More than 180 days	94,161	85,107
Total	**128,768**	**103,891**

Moreover, historically the Group considered that, due to the characteristics of the customers, receivables with a maturity that is less than 90 days have no credit risk because it is considered the normal payment period of the industry.

The credit quality of cash and other cash equivalents at December 31, 2016 and 2015 is as follows:

Thousands of euros	2016	2015
AA-	1,921	7,506
A+	373,311	32,009
A	130,084	188,195
A-	152,508	114,197
BBB+	477,512	209,702
BBB	28,702	204,655
BBB-	48,483	50,074
BB+ or lower	82,747	62,995
Total	**1,295,268**	**869,333**

5. Estimates and sources of uncertainty

The preparation of these Consolidated Financial Statements made it necessary for the GAMESA Group to make assumptions and estimates. The estimates with a significant effect on the accompanying Consolidated Financial Statements are as follows:

- The GAMESA Group recognises by reference to the stage of completion revenue from wind farm and WTGS sale contracts that meet the requirements established in this regard (Note 3.B). This requires that a reliable estimate must be made of the revenue from each contract and the total contract costs, as well as of the percentage of completion at year-end from technical and economic standpoints.

- As indicated in Note 3.D and 3.E, the GAMESA Group determines the estimated useful lives and the relevant depreciation/amortisation charges for its intangible assets and property, plant and equipment. The Group will increase the depreciation/amortisation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

- The GAMESA Group estimates the current provisions required for guarantees for possible repairs and start-up costs that the Group will have to incur in connection with sales of WTGSs (Note 3.Q).

- The GAMESA Group has made certain assumptions in order to calculate the liability arising from obligations to employees (Notes 3.R and 18.E). The fair value of those financial instruments granted as share-based payments that are not traded in an active market is determined by using measurement techniques. The Group uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. Changes in these assumptions would not have a significant impact on these Consolidated Financial Statements.

- The impairment tests require the estimation of the future evolution of the businesses and the most appropriate discount rate in each case. The GAMESA Group believes that its estimates in this area are adequate and coherent with the current economic environment and they reflect its investment plans and the best estimates available regarding its future revenues and income, and it considers that its discount rates adequately reflect the risks relating to each cash generating unit.

- GAMESA analysis its accounts receivable and, on the basis of its best estimates, quantifies the amount thereof that could be uncollectible (Note 15).

- The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognizes liabilities for potential tax claims based on an estimation of whether or not additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise (Note 27).

- The GAMESA Group recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured (Note 25).

- As it is indicated in Note 36, the assets and liabilities relating to the development activity in the United States are presented as disposal groups held for sale after the decision by Management to suspend the development and sale of wind farms in the United States.

- Operations of the GAMESA Group in the United Kingdom mainly correspond with the activity of operation and maintenance of wind farms, as well as, promptly, the execution of construction projects and commissioning underway farms. The direction of GAMESA believes that the risk posed by their activities of operation and maintenance in the United Kingdom is not significant. With regard to the activity of construction of parks, the part of the risk related to the effects of exchange rate changes on operations is being covered in accordance with the general policy of covering exchange risks (Note 4.A).

Although these estimates were made on the basis of the best information available at December 31, 2016 and 2015 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

6. Application of results

At the date of preparation of these Consolidated Financial Statements, the Management Board of Directors of GAMESA, in line with the dividend policy communicated to the market, estimates that will propose to the General Shareholders' Meeting for its approval, the proposed distribution of net profit for the year 2016 as shown below, determined according to Spanish accounting regulations applicable to the Statutory Financial Statements of the company:

	Thousands of euros
Basis of distribution	
Profit for the year	87,105
Total	**87,105**
Distribution	
Voluntary reserves	11,784
Dividend	75,321
Total	**87,105**

As is described in the Note 37, GAMESA has signed an agreement of merger with Siemens. The General Shareholders' Meeting of October 25, 2016 approved the merger and also, agreed subject to the effectiveness of the same, changes in the composition of the Board of Directors as well as an increase in capital to meet the exchange with 401,874,595 new shares. In the event that the effectiveness of the merger took place before the Ordinary General Shareholders' Meeting of 2017, it corresponds to the constituted Management Board to propose the corresponding agreement of dividend distribution between all the shares after the aforementioned capital increase.

7. Segment reporting

The reportable segments of the GAMESA Group are adapted to the operating configuration of the business units and to the financial and management information used by the executive boards of the Group being the following at December 31, 2016 and 2015:

- Wind Turbines (*)
- Operation and maintenance

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

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

A. INFORMATION BY BUSINESS UNITS

Revenue

The breakdown, by segment, of consolidated revenue for the years ended December 31, 2016 and 2015 is as follows:

	Thousands of euros	
Segment	**2016**	**2015**
Wind Turbines	4,140,818	3,033,097
Operation and Maintenance	471,165	470,705
Net revenue from continued operations	**4,611,983**	**3,503,802**

Profit for the year

The breakdown, by segment, of the contribution to the profit after tax for the years ended December 31, 2016 and 2015 is as follows:

Segment	Thousands of euros 2016	2015
Continuing Operations		
Wind Turbines	407,367	230,417
Operation and Maintenance	70,010	63,164
Capital gains and constitution of Adwen (Note 11)	-	29,164
Total Results Segment Operations	**477,377**	**322,745**
Unassigned results	(51,684)	(75,976)
Corporate income tax	(124,415)	(76,553)
Results for the year attributable to the Parent company	**301,278**	**170,216**

(*) This item includes financial results.

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

Expenses and financial income and corporation tax have not been assigned to the operating segments because they are jointly managed by the Group.

B. GEOGRAPHICAL INFORMATION

In addition, the GAMESA Group currently operates in the following geographical markets:

- Spain
- Rest of Europe
- United States
- China
- India
- Brazil
- Mexico
- Rest of the world

The most significant disclosures in this regard are as follows:

Revenue

The breakdown, by geographical segment, of revenue at December 31, 2016 and 2015 is as follows:

	2016		2015	
Geographical area	**Thousands of euros**	**%**	**Thousands of euros**	**%**
Spain	239,346	5.2%	312,137	8.9%
Rest of Europe	658,959	14.3%	428,417	12.2%
United States	555,236	12.0%	469,179	13.4%
China	199,140	4.3%	274,549	7.8%
India	1,378,654	29.9%	814,005	23.2%
Brazil	447,211	9.7%	620,045	17.7%
Mexico	438,835	9.5%	179,426	5.1%
Rest of the world	694,602	15.1%	406,044	11.7%
Total	**4,611,983**	**100%**	**3,503,802**	**100%**

Total assets

The breakdown, by geographical segment, of the total assets at December 31, 2016 and 2015 is as follows:

Geographical area	12.31.2016 Thousands of euros	%	12.31.2015 Thousands of euros	%
Spain	2,163,123	36.7%	1,711,184	36.9%
Rest of Europe	187,385	3.2%	334,582	7.2%
United States	542,635	9.2%	539,153	11.6%
China	472,333	8.0%	409,490	8.8%
India	1,301,287	22.1%	716,370	15.4%
Brazil	560,106	9.5%	499,695	10.8%
Mexico	458,974	7.8%	219,289	4.7%
Rest of the world	209,240	3.5%	210,902	4.6%
Total	**5,895,083**	**100%**	**4,640,665**	**100%**

Investment in assets

The breakdown, by geographical segment, of the investments in property, plant and equipment and other intangible assets at December 31, 2016 and 2015 is as follows:

Geographical area	12.31.2016 Thousands of euros	%	12.31.2015 Thousands of euros	%
Spain	105,804	50.1%	76,453	45.5%
Rest of Europe	558	0.3%	4512	2.7%
United States	3,510	1.7%	9,324	5.6%
China	11,128	5.3%	13,388	8%
India	61,767	29.2%	41,711	24.8%
Brazil	8,080	3.8%	18,061	10.8%
Mexico	19,550	9.3%	3,548	2.1%
Rest of the world	686	0.3%	861	0.5%
Total	**211,083**	**100%**	**167,858**	**100%**

8. Goodwill

The disclosure of "Goodwill" by cash-generating units is as follows:

Thousands of euros	12.31.2016	12.31.2015
"Wind Turbines" cash generating unit	266,862	266,862
"Operation and Maintenance" cash generating unit	121,312	121,548
Total	**388,174**	**388,410**

On July 29, 2015, the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 100% of B9 Energy O&M Limited share capital, a North Irish company mainly dedicated to the maintenance of wind farms both in Ireland and in the United Kingdom for an amount of €2,687 thousands.

Goodwill that arose from that operation amounted to €1,654 thousands and has been totally assigned to the “Operation and Maintenance” cash generation unit.

As indicated in Note 3.C, at least once a year the Group assesses whether its goodwill has become impaired. In this regard, for the purposes of performing the impairment test, the goodwill was entirely allocated to each of the cash-generating units that are consistent with the segments identified by the Group (Note 7): “Wind Turbines" and "Operation and Maintenance”, since they are both the smallest identifiable groups of assets that the Group’s directors use to monitor them, as provided for in IAS 36.

A. GOODWILL ALLOCATED TO THE “WIND TURBINE” CASH-GENERATING UNIT

For the goodwill identified with the WTGS cash generation unit, the recoverable amount of the cash generating unit taken as a whole was measured by reference to their value in use, which was calculated on the basis of cash flow projections (approved by management) which represent the best estimates covering a period of 5 years and an estimated residual value as a perpetual return of a year that does not contain cyclical or seasonal factors, with a growth rate of 1%.

The cash flows considered correspond to those generated by the cash generating unit “Wind turbines”, engaging in general in the design, development, manufacture and sale of WTGSs and their related components, and the research and development activities associated therewith, and the promotional activities necessary to sell wind energy plants. These production activities are planned and managed jointly by the management of GAMESA regardless of the geographic location of the promotion and installation activity, based on availability and efficiency criteria.

In order to calculate the value in use, the assumptions made include the discount rate based on the weighted average cost of capital (WACC), which reflects time value of money and the risks specific to each cash-generating unit, amounting 8.2%.

From a business standpoint, the following key assumptions were made in 2016:

- Growth in the MW sold (4,332 MW in 2016), in line with the update of the Business Plan 2015-17 with the latest market estimates and projections of the Company, mainly due to the increase in the global demand, particularly in the emerging countries' markets.
- Maintenance in the actual recurrent operating margins.
- Investment control in line with the Business Plan´s guides, and progressive improvement in line with the Business Plan 2015-17, of working capital over sales ratio, due to the aligning of the production to the portfolio entries and to the optimization of all the items composing the current assets (inventories, trade receivables, etc.).

Based on the estimates and projections available to the Directors of GAMESA, the income forecasts attributable to each of the cash generating unit to which the aforementioned goodwill was allocated adequately support the amounts of goodwill recognised at December 31, 2016.

In addition, from a perspective of analysing sensitivity, the GAMESA Group has applied sensitivity calculations to the results of this impairment test, recording the following reasonable changes in the key assumptions:

- 5% decrease in the MW sold in coming years.
- 5% decrease in average margin per MW.
- 5% increase in fixed costs.

These sensitivity analysis performed individually for each key assumption would not reveal the existence of any impairment.

Furthermore, GAMESA has performed a sensitivity analysis, consisting of increasing the discount rate by 50 basis points and decreasing the growth rate by 50 basis points, which would not lead to the need to record any impairment.

B. GOODWILL ALLOCATED TO THE "OPERATIONS AND MAINTENANCE" CASH-GENERATING UNIT

For the goodwill identified with the operating and maintenance cash-generating unit, the recoverable amount of the cash generating unit taken as a whole was measured by reference to their value in use, which was calculated on the basis of cash flow projections (approved by management) which represent the best estimates covering a period of 5 years and an estimated residual value as a perpetual return of a year that does not contain cyclical or seasonal factors, with a growth rate of 1%.

The cash flows taken into consideration relate to those generated by the business unit "Operations and Maintenance", generally engaged in operating and maintenance activities at wind energy plants in the portfolio. These production activities are planned and managed jointly by the management of GAMESA regardless of the geographic location of the promotion and installation activity, based on availability and efficiency criteria.

In order to calculate value in use, the assumptions made include the discount rates based on the weighted average cost of capital (WACC), include the factors involved in which the time value of money and the risks associated with the cash generating unit, which stand at 8.2%.

From a business standpoint, the following key assumptions were made in 2016:

- Growth in the MW maintained over the coming years in accordance with the update of the Business Plan 2015-17 with the latest market estimates and projections of the Company.

- Increase in the actual EBIT margin above the wind turbine segment.

Based on the estimates and projections available to the Directors of GAMESA, the income forecasts attributable to each of the cash generating unit to which the aforementioned goodwill was allocated adequately support the amounts of goodwill recognised and, therefore, no problems regarding the recovery of the aforementioned goodwill were detected at December 31, 2016.

In addition, from a perspective of analysing sensitivity, at December 31, 2016 the GAMESA Group applied sensitivity calculations to the results of this impairment test, recording the following reasonable changes in the key assumptions:

- 5% decrease in the MW maintained in coming years.
- 5% decrease in average margin per MW.
- 5% increase in average cost per MW.

These sensitivity analysis performed individually for each key assumption would not reveal the existence of any impairment.

Furthermore, GAMESA has performed a sensitivity analysis, consisting of increasing the discount rate by 50 basis points and decreasing the growth rate by 50 basis points, which would not lead to the need to record any impairment.

Therefore, in accordance with the estimates and projections available to the Group, the outlook for both the Wind Turbine and Operating and Maintenance cash generating units to which the goodwill is assigned, adequately support the value of the goodwill recognised at December 31, 2016 and, as a result, there is no impairment whatsoever.

9. Other intangible assets

The changes in "Other Intangible Assets" in the consolidated balance sheet in 2016 and 2015 were as follows:

Thousands of euros	Development Costs	Concessions, patents, licenses, trademarks and similar	Computer software	Prepayments	Total
Cost					
Balance at 01.01.2015	**536,920**	**28,059**	**83,795**	**653**	**649,427**
Additions	44,234	2,263	5,623	3,400	55,520
Disposals	(257,155)	-	(751)	-	(257,906)
Exchange differences in foreign currency	2,417	361	215	-	2,993
Transfers	-	-	2,909	(2,909)	-
Balance at 12.31.2015	**326,416**	**30,683**	**91,791**	**1,144**	**450,034**
Changes in the consolidation method	-	409	1,370	-	1,779
Additions	54,669	3,622	8,550	5,138	71,979
Disposals	(68)	-	(5,906)	-	(5,974)
Exchange differences in foreign currency	94	174	147	-	415
Transfers	1,782	-	5,871	(5,108)	2,545
Balance at 12.31.2016	**382,893**	**34,888**	**101,823**	**1,174**	**520,778**
Amortisation					
Balance at 01.01.2015	**(203,509)**	**(22,066)**	**(61,174)**	**-**	**(286,749)**
Charge for the year (Note 29.E)	(22,911)	(191)	(9,135)	-	(32,237)
Disposals	22,133	-	721	-	22,854
Exchange differences in foreign currency	(124)	(14)	(112)	-	(250)
Transfers	-	-	-	-	-
Balance at 12.31.2015	**(204,411)**	**(22,271)**	**(69,700)**	**-**	**(296,382)**
Changes in the consolidation method	-	(409)	(1,370)	-	(1,779)
Charge for the year (Note 29.E)	(31,585)	(286)	(9,409)	-	(41,280)
Disposals	-	-	5,983	-	5,983
Exchange differences in foreign currency	(95)	(7)	(50)	-	(152)
Transfers	-	-	-	-	-
Balance at 12.31.2016	**(236,091)**	**(22,973)**	**(74,546)**	**-**	**(333,610)**
Impairment losses					
Balance at 01.01.2015	**(127,211)**	**(420)**	**-**	**-**	**(127,631)**
Impairment loss recognised in the year	2,600	-	-	-	2,600
Exchange differences in foreign currency	(1,912)	-	-	-	(1,912)
Transfers	109,266	-	-	-	109,266
Balance at 12.31.2015	**(17,257)**	**(420)**	**-**	**-**	**(17,677)**
Impairment loss recognised in the year	-	-	-	-	-
Exchange differences in foreign currency	-	-	-	-	-
Disposals and reversal of impairment losses corrections and other	-	-	-	-	-
Balance as at 12.31.2016	**(17,257)**	**(420)**	**-**	**-**	**(17,677)**
Total other intangible assets at 12.31.2015	**104,748**	**7,992**	**22,091**	**1,144**	**135,975**
Total other intangible assets at 12.31.2016	**129,545**	**11,495**	**27,277**	**1,174**	**169,491**

During 2016 and 2015, the main increase in "Development costs" is due to the development of the "WTG" division (mainly in the subsidiary Gamesa Innovation and Technology, S.L. Unipersonal), of new wind turbine models (mainly the development of the G132 – 3.3 MW wind turbine) and optimization of the components performance for an amount of €51,458 thousands and €42,058 thousands, approximately and respectively.

The remaining capitalised development expenditure corresponds to improvements in technology fully in use.

At December 31, 2014 the most significant development project related to the Multi-MW platform which allowed the development of both onshore and offshore projects and that took part in the transmission of offshore business to Adwen Offshore, S.L. in 2015 as described in Note 11, and whose effect made this section decrease for an amount of €145,755 thousands at the ending balance of December 2015.

The impairment provision reflected at December 31, 2016 and 2015, relates mainly to development costs incurred until 2012 in specific developments, basically related to the design of blades, on which there were doubts about its ability to generate future cash flows.

Research and development expenses not capitalised during 2016 amounted €11 million (€12 million in 2015).

Fully amortised intangible assets in use at December 31, 2016 and 2015 amounted approximately to €271,904 thousands and €247,720 thousands, respectively and approximately.

At December 31, 2016, the GAMESA Group had intangible asset purchase commitments amounting to €1,858 thousands (€2,151 thousands in December 31, 2015).

10. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheet in 2016 and 2015 were as follows:

Thousands of euros	Land and buildings	Technical facilities and machinery	Other property, plant and equipment	Property, plant and equipment under construction	Total
Cost					
Balance at 01.01.2015	**220,942**	**334,120**	**442,642**	**17,596**	**1,015,300**
Change in the consolidation scope (Note 2.G)	-	695	613	(74)	1,234
Additions	813	20,172	43,114	48,239	112,338
Disposals	(1,442)	(21,382)	(25,962)	(1,972)	(50,758)
Exchange differences in foreign currency	8,661	3,301	4,261	(1,554)	14,669
Transfers	8,004	2,631	32,559	(30,346)	12,848
Balance at 12.31.2015	**236,978**	**339,537**	**497,227**	**31,889**	**1,105,631**
Changes in the consolidation method scope (Note 2.G)	-	6,336	2,248	-	8,584
Additions	2,746	8,413	59,566	68,379	139,104
Disposals	(4,486)	(1,954)	(5,795)	(1,750)	(13,985)
Exchange differences in foreing currency	2,548	2,327	7,371	24	12,270
Transfers	14,591	12,670	52,102	(78,695)	668
Balance at 12.31.2016	**252,377**	**367,329**	**612,719**	**19,847**	**1,252,272**

Thousands of euros	Land and buildings	Technical facilities and machinery	Other property, plant and equipment	Property, plant and equipment under construction	Total
Depreciation					
Balance at 01.01.2015	**(66,345)**	**(177,048)**	**(294,596)**	**-**	**(537,989)**
Change in the consolidation scope (Note 2.G)	-	(443)	(436)	-	(879)
Charge for the year (Note 29.E)	(8,486)	(21,290)	(34,040)	-	(63,816)
Disposals	1,440	6,892	11,187	-	19,519
Exchange differences in foreign currency	(2,405)	(1,240)	(4,118)	-	(7,763)
Transfers	2	2,880	(18,217)	-	(15,335)
Balance at 12.31.2015	**(75,794)**	**(190,249)**	**(340,220)**	**-**	**(606,263)**
Changes in the consolidation method Scope (Note 2.G)	-	(3,300)	(1,312)	-	(4,612)
Charge for the year (Note 29.E)	(8,436)	(16,651)	(58,233)	-	(83,320)
Disposals	758	991	4,222	-	5,971
Exchange differences in foreign currency	(845)	(1,938)	(3,817)	-	(6,600)
Transfers	(2)	(5,328)	6,266	-	936
Balance at 12.31.2016	**(84,319)**	**(216,475)**	**(393,094)**	**-**	**(693,888)**
Impairment losses					
Balance at 01.01.2015	**(21,742)**	**(52,272)**	**(69,760)**	**-**	**(143,774)**
Change in the consolidation scope (Note 2.G)	(30)	-	-	-	(30)
Application recognized in the year	(2,936)	**-**	659	**-**	(2,277)
Impairment loss recognised in the year	-	7,227	85	-	7,312
Disposals	(547)	-	(3,219)	-	(3,766)
Exchange differences in foreign currency	6,114	(6,112)	2,336	-	2,338
Balance at 12.31.2015	**(19,141)**	**(51,157)**	**(69,899)**	**-**	**(140,197)**
Application recognized in the year	1,408	5	903	-	2,316
Impairment loss recognised in the year	-	-	(640)	-	(640)
Disposals	-	-	-	-	-
Exchange differences in foreign currency	(40)	1	116	-	77
Transfers	6	(1,864)	2,562	-	704
Balance at 12.31.2016	**(17,767)**	**(53,015)**	**(66,958)**	**-**	**(137,740)**
Total Property, Plant and Equipment at 12.31.2015	**142,043**	**98,131**	**87,108**	**31,889**	**359,171**
Total Property, Plant and Equipment at 12.31.2016	**150,291**	**97,839**	**152,667**	**19,847**	**420,644**

A. INVESTMENTS FOR THE FINANCIAL YEAR

The main additions in 2016 relate mainly to the investments related to the new blades manufacturing plant in India, as well as the purchase of molds associated to blades G114 among the different production plants. The main additions in 2015 related mainly to three new production lines of blades G114 in India, as well as the purchase of molds associated to blades G114 among the different production plants.

The disposals during the year 2016, mainly relate to the dismantling of the plant of Gamesa Eólica, S.L. located in Tudela. The disposals during the year 2015, basically related to the disposal of various plants, closed production lines or production lines with no activity in Spain and USA which were fully depreciated or provisioned, and with the transmission of a wind facility in Arinaga (offshore prototype) to Adwen Offshore, S.L. (Note 11) in 2015 whose effect led to a decrease of €15,498 thousands.

The provisions at December 31, 2016 and 2015 are basically related to the amount provisioned in previous years referred to impairments derived from:

- Installations, molds and tools affected by the introduction of new processes and application of other technologies, mainly in blade plants
- Closure of industrial plants
- Capacity adjustments
- Low return on assets in use- wind farms in Spain

B. LEASING CONTRACTS

At December 31, 2016 and 2015, GAMESA has no financial leases.

C. TOTALLY DEPRECIATED ASSETS

The amounts of operating tangible assets fully depreciated at December 31, 2016 and 2015 amounted €448,960 thousands and €355,601 thousands, respectively. At December 31, 2016 and 2015, most of them correspond to molds and tools for the manufacture of wind turbines.

D. COMMITMENTS FOR THE ACQUISITION OF ASSETS

At December 31, 2016 the GAMESA Group companies had property, plant and equipment purchase commitments amounting €26,262 thousands (€29,263 thousands in 2015) approximately, related mainly to production facilities and new developments of wind facilities and its components.

E. INSURANCE COVERAGE

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

11. Investments carried under the equity method

The breakdown of the investments in associates of the GAMESA Group at December 31, 2016 and 2015 is as follows:

Company	Shareholding %	Thousands of euros	
		12.31.2016	**12.31.2015**
Adwen Offshore, S.L. (Note 2.G)	50% (*)	48,963	74,064
Windar Renovables, S.L. (Note 32)	32%	63,728	41,468
9Ren España, S.L.	- (**)	-	6,624
Nuevas Estrategias de Mantenimiento, S.L. (Note 2.G)	50%	4,933	-
Others	-	3,968	4,870
Total		**121,592**	**127,026**

(*) Acquisition of the other 50% at January 5, 2017 (Note 38).
(**) Company participated at 49% at December 31, 2015 and acquired at 100% at December 31, 2016.

The changes occurred in 2016 and 2015 under this heading in the consolidated balance sheet were as follows:

	Thousands of euros	
	2016	**2015**
Beginning Balance	**127,026**	**56,203**
Changes in consolidation scope and/or consolidation method (Note 2.G)	(1,022)	100,000
Profit for the year	(18,996)	(24,988)
Reversion of the provision	15,000	-
Others	(416)	(4,189)
Ending Balance	**121,592**	**127,026**

The heading "Changes in the consolidation scope and/or consolidation method" includes:

Year 2016

On December 17, 2015, the GAMESA group subscribed a purchase/sale agreement for the acquisition of the 50% of the share capital of Nuevas Estrategias de Mantenimiento, S.L., a Spanish company mainly dedicated to the design, manufacture, development and commercialization of technological solutions and of engineering, for an amount of €4,500 thousands. This transaction was subjected to the fulfillment of certain suspension clauses which were finally resolved on May 2016. From that moment on, the result of this company are fully integrated.

On December 30, 2016, the GAMESA Group acquired the 51% participation in 9Ren España, S.L. (hereinafter “9Ren”), reaching the 100% of the company. The compensation of this 51% amounted €8.5 million.

This acquisition supposed the existence of a combination of businesses as a result of the control change, since the payed value essentially matches with the 51% of the Cash and cash equivalents held in the Company at the moment of the purchase (€17 million), being the value of the remaining assets and liabilities of the society of an insignificant amount and matching with its fair value. As a result, no goodwill was generated.

Since the acquisition date was on December 30, 2016, 9Ren has not contributed with relevant amounts of income nor profits for continuing operations before taxes. If the business combination had been done at the beginning of the year, the volume of business would have amount €2,270 thousands and the profit for continuing operations before taxes of the Group would have been €2,257 thousands lower.

The external costs of this transaction are not material.

Year 2015

On March 9, 2015, the GAMESA Group signed with Areva S.A. (hereinafter “Areva”) and other companies of its group the necessary agreements for the constitution of a new society participated company by both groups at 50% to which each part provides with its offshore business and through which this business is exclusively developed. The signature of these agreements took place once all the required authorizations and the precedent conditions that were agreed on July 7, 2014 were met. The new company, Adwen Offshore, S.L. (hereinafter “Adwen” or “JV” has its registered office in Zamudio (Spain) and employ, together with its subsidiaries, 700 employees in its headquarters of Spain, France, Germany and United Kingdom.

Regarding the agreements reached for the constitution of the JV, the GAMESA Group provided with its offshore business whose new assets amounted a book value of €161,253 thousands that mainly corresponded to development and prototype expenses related with the Multi-MW platform (Notes 9 and 10).

In compensation, the GAMESA Group registered an investment in its consolidated balance sheet under the equity method for the fair value of the stake of the business for an amount of €100,000 thousands and a debit balance of €95,000 thousands recorded in the section “Other non-current financial assets, associated companies”, that accrued an interest of Euribor plus 2% with maturity until 2024 (€98,740 thousands at December 31, 2016) and delivering to a net tax (€8,166 thousands) capital gain of €20,998 thousands. The gross amount of the capital gain once the costs related to the operation are discounted, decreased to €29,164 thousands and was registered in “Profit/loss on disposal of non-current assets and impairment of assets” of accompanying consolidated income statement at December 31, 2015 (Note 7.A).

In 2015, the disposal of New Broadband Network Solutions, S.L. took place (Note 2.G). Since it was fully provisioned, it did not have any impact on the Consolidated Annual Accounts at December 31, 2015.

The breakdown of consolidated assets, liabilities, revenues and expenses of companies recognised using the equity method at December 31, 2016 and 2015 is as follows:

Financial information related to joint ventures

Financial information summarized at December 31, 2016 and 2015 (at 100% and before the intercompany eliminations) related to the most significant joint ventures registered by equity method is as follows:

	Thousands of euros	
Adwen Offshore, S.L. and subsidiaries	**12.31.2016**	**12.31.2015**
Total non-current assets	876,227	910,238
Total current assets	580,229	390,627
Total Assets	**1,456,456**	**1,300,865**
Total equity	97,925	148,128
Total non-current liabilities	716,343	781,218
Total current liabilities	642,188	371,519
Total Liabilities and Equity	**1,456,456**	**1,300,865**

	Thousands of euros	
Adwen Offshore, S.L. and subsidiaries	**12.31.2016**	**12.31.2015**
Income from ordinary activities	248,616	29,540
Depreciation and amortization	(19,719)	(11,292)
Interest income	1,719	809
Interest expenses	(11,216)	(5,846)
Expenditure / income on the income tax	286	(333)
Net profit from continuing operations	(52,561)	(49,931)
Other overall result	-	-
Total global result	**(50,426)**	**(52,065)**
Other Information		
Cash and cash equivalents	4,668	90,409
Current financial liabilities (*)	(172,725)	(147,038)
Non-current financial liabilities (*)	(416,177)	(381,125)

(*) Excluding other debts, as well as commercial creditors, other accounts payable and provisions for liabilities and charges, includes the total bank borrowings which amounts €251 million (€61 million at December 31, 2015). Among the current financial liabilities, the bank borrowings amount €172 million at the ending balance of 2016, €1 million at the ending balance of 2015, and among non-current financial liabilities amount to €79 million at the ending balance of 2016, €60 million at the ending balance of 2015. In addition, the loans received from both shareholders at the beginning of the JV, and which amounts, in the case of GAMESA, €99 million (€97 million in 2015) and, in the case of Areva €238 million (€235 million in 2015).

	Thousands of euros
Nuevas Estrategias de Mantenimiento, S.L.	**12.31.2016**
Total non-current assets	965
Total current assets	4,805
Total Assets	**5,770**
Total equity	4,256
Total non-current liabilities	384
Total current liabilities	1,130
Total Liabilities and Equity	**5,770**

	Thousands of euros
Nuevas Estrategias de Mantenimiento, S.L.	**12.31.2016**
Income from ordinary activities	4,765
Depreciation and amortization	(35)
Interest income	13
Interest expenses	(10)
Expenditure / income on the income tax	658
Net profit from continuing operations	678
Other overall result	-
Total global result	**678**
Other Information	
Cash and cash equivalents	2,295
Current financial liabilities	138
Non-current financial liabilities	384

During the years 2016 and 2015 no dividends were received from these companies.

As a result of the impairment test of Adwen no impairment has been required.

This impairment has been done taking into consideration the future cash flows expected for the following years, considering a progressive growth in the activity, with a growth rate of 1.5% and a discount rate based on the weighted average cost of capital-WACC estimated to these effects on 9.25%. The key hypothesis used have been the followings:

- Growth in the units sold (MW) in the following years up to reasonable market fees.
- Improvement of the profit over sales derived from the increase in volume and the evolution of the learning curve.

In addition, from sensitivity analysis perspective, the GAMESA Group has done sensitivity calculations of the results of the impairment test gathering the following reasonable changes in the key hypothesis:

- 5% decrease of the sold MW in the following years.
- 5% decrease of the gross margin over sales.

These sensitivity analysis individually done for each key hypothesis have not revealed the existence of an impairment at December 31, 2016.

In addition, GAMESA has done a sensitivity analysis consistent on increasing the discount rate on 50 basis points, and the decrease of the growth rate on 50 basis points, variation which has not lead to the necessity of any impairment record.

Financial information related to associated companies

Financial information summarized at December 31, 2016 and 2015 (at 100% and before the intercompany eliminations) related to the most significant associated companies registered by the equity method is as follows:

	Thousands of euros
Windar Renovables, S.L. and subsidiares	**12.31.2016**
Total non-current assets	72,527
Total current assets	123,223
Total Assets	**195,750**
Total equity	86,968
Total non-current liabilities	19,509
Total current liabilities	89,273
Total Equity and Liabilities	**195,750**

	Thousands of euros
Windar Renovables, S.L. and subsidiaries	**2016**
Income from ordinary activities	227,379
Net profit continuing operations	21,503
Profit after tax from non-continuing operations	-
Other global reuslt	-
Total global result	**21,503**

	Thousands of euros	
Year 2015	**Windar Renovables, S.L. and subsidiares.**	**9Ren España, S.L.**
Total non-current assets	59,528	5,875
Total current assets	139,600	27,521
TOTAL ASSETS	**199,128**	**33,396**
Total equity	64,280	22,731
Total non-current liabilities	12,667	1,325
Total current liabilities	122,181	9,340
TOTAL EQUITY AND LIABILITIES	**199,128**	**33,396**

Year 2015	Thousands of euros Windar Renovables, S.L. and subsidiares	9Ren España, S.L.
Income from ordinary activities	191,277	11,567
Net profit continuing operations	10,337	(618)
Profit after tax from non-continuing operations	-	-
Other global reuslt	-	-
Total global result	**10,337**	**(618)**

No dividends have been received from these companies during 2016.

On June 23, 2015, the investee company 9Ren España, S.L. agreed on the refund of the share premium for an amount of €12,000 thousands. Of this amount, €5,880 thousands corresponded to GAMESA. Additionally, on February 16, 2015, the investee company Windar Renovables, S.L. agreed on the distribution of a dividend being €3,006 thousands the amount corresponding to GAMESA.

The GAMESA Group have proceed to update the impairment test for its stake in Windar Renovables, S.L. at December 31, 2016 after the improvement in the results and in the business expectations produced in this company during 2016, being the main hypothesis used the followings:

- A discount rate based on the weighted average cost of capital – WACC of 9%.
- The projection period of the cash flows has been of 3 years.
- For the cash flows corresponding to subsequent periods a growth rate of 1% in annual terms has been considered.

As a result of this impairment test, in the year 2016 a reversion of the total impairment recorded during the year 2010 amounting €15,000 thousands has been done with a charge to the heading "Result from entities accounted for using the equity method" of the consolidated income statement for the year 2016.

As a result, the book value of the net investment in Windar Renovables, S.L. at December 31, 2016 amounts €63,728 thousands (€41,468 thousands at December 31, 2015), and it includes the capital gain which emerged at the moment of the acquisition of the investment in the associate (€36 million approximately), for the difference between the total of the compensation given and the part of the entity in theoretical book value of the net assets of the associate in the moment of the acquisition.

12. Financial instruments by category

A. COMPOSITION AND BREAKDOWN OF FINANCIAL ASSETS

The breakdown of the GAMESA Group financial assets at December 31, 2016 and 2015, presented by nature and category for measurement purposes:

Year 2016 Financial assets: Nature / Category	Thousands of euros Other financial assets at fair value through changes in P&L	Held-for-sale financial assets (Note 13)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Derivatives (Notes 13 and 22)	-	-	-	-	91	91
Other financial assets (Note 13)	-	25,009	107,917	-	-	132,926
Long- term / non-current	**-**	**25,009**	**107,917**	**-**	**91**	**133,017**
Derivatives (Note 22)	-	-	-	-	12,040	12,040
Other financial assets	-	-	30,521	-	-	30,521
Trade and other receivables	-	-	1,530,549	-	-	1,530,549
Short-term / current	**-**	**-**	**1,561,070**	**-**	**12,040**	**1,573,110**
Total	**-**	**25,009**	**1,668,987**	**-**	**12,131**	**1,706,127**

Year 2015 Financial assets: Nature / Category	Thousands of euros					
	Other financial assets at fair value through changes in P&L	Held-for-sale financial assets (Note 13)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Derivatives (Notes 13 and 22)	-	-	-	-	7,584	7,584
Other financial assets (Note 13)	-	36,423	103,267	-	-	139,690
Long term / non-current	**-**	**36,423**	**103,267**	**-**	**7,584**	**147,274**
Derivatives (Note 22)	-	-	-	-	9,662	9,662
Other financial assets	-	-	24,348	-	-	24,348
Trade receivables and other	-	-	1,112,590	-	-	1,112,590
Short Term / currents	**-**	**-**	**1,136,938**	**-**	**9,662**	**1,146,600**
Total	**-**	**36,423**	**1,240,205**	**-**	**17,246**	**1,293,874**

B. COMPOSITION AND BREAKDOWN OF FINANCIAL LIABILITIES

The breakdown of the Group's financial liabilities at December 31, 2016 and 2015, presented by nature and category for measurement purposes:

Year 2016 Financial liabilities: Nature / Category	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Bank borrowings	-	424,523	-	424,523
Derivatives (Note 22)	-	-	7,176	7,176
Other financial liabilities	-	38,187	-	38,187
Long-term / Non-current	**-**	**462,710**	**7,176**	**469,886**
Bank borrowings	-	120,034	-	120,034
Derivatives (Note 22)	-	-	59,903	59,903
Other financial liabilities	-	111,622	-	111,622
Trade and other payables	-	2,812,503	-	2,812,503
Short-term / Current	**-**	**3,044,159**	**59,903**	**3,104,062**
Total	**-**	**3,506,869**	**67,079**	**3,573,948**

Year 2015 Financial liabilities: Nature / Category	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Bank borrowings	-	444,902	-	444,902
Derivatives (Note 22)	-	-	3,869	3,869
Other financial liabilities	-	43,940	-	43,940
Long-term / Non-current	**-**	**488,842**	**3,869**	**492,711**
Bank borrowings	-	102,899	-	102,899
Derivatives (Note 22)	-	-	4,265	4,265
Other financial liabilities	-	89,326	-	89,326
Trade and other payables	-	1,937,622	-	1,937,622
Short-term / Current	**-**	**2,129,847**	**4,265**	**2,134,112**
Total	**-**	**2,618,689**	**8,134**	**2,626,823**

13. Non-current financial assets

The changes in “Non-current financial assets” in the attached consolidated balance sheet of 2016 and 2015 are as follows:

Year 2016	Thousands of euros Balance at 12.31.2015	Additions	Exchange differences in foreign currency	Disposals	Transfers	Changes in scope	Balance at 12.31.2016
Derivatives (Notes 12 and 22)	7,584	-	830	(1,453)	(6,870)	-	91
Securities portfolio (Note 12)	36,423	1,272	(683)	(12,003)	-	-	25,009
Other non-current financial assets (Note 12)	3,384	2,173	106	(637)	600	5	5,631
Other non-current financial assets from related companies (Notes 11 and 12)	99,883	2,403	-	-	-	-	102,286
Total	**147,274**	**5,848**	**253**	**(14,093)**	**(6,270)**	**5**	**133,017**

Year 2015	Thousands of euros Balance at 12.31.2014	Additions	Exchange differences in foreign currency	Disposals	Transfers	Changes in scope	Balance at 12.31.2015
Derivatives (Notes 12 and 22)	1,864	7,361	-	(1,641)	-	-	7,584
Securities portfolio (Note 12)	35,683	-	1,166	(246)	(180)	-	36,423
Other non-current financial assets (Note 12)	3,158	597	27	(547)	183	(34)	3,384
Other non-current financial assets from related companies (Notes 11 and 12)	-	99,883	-	-	-	-	99,883
Total	**40,705**	**107,841**	**1,193**	**(2,434)**	**3**	**(34)**	**147,274**

A. INVESTMENT SECURITIES

The detail of the cost of acquisition of the most representative long-term investment securities at December 31, 2016 and 2015 is as follows:

	Thousands of euros		% of Shareholding	% of Shareholding
	12.31.2016	12.31.2015	12.31.2016	12.31.2015
Jianping Shiyingzi Wind Power Co. Ltd.	4,437	4,437	25%	25%
Wendeng Zhangjiachan Wind Power Co. Ltd.	7,651	7,651	39%	39%
Neimenggu Huadian Meiguiying Wind Power Co. Ltd.	-	11,870	-	25%
CGN Changgao Wind Power Co. Ltd	4,318	4,318	25%	25%
Cheng Dingshan - Zhaiyueshan	5,564	5,770	25%	25%
Others	3,039	2,377	Several	Several
Total	**25,009**	**36,423**		

In 2016 and prior years the GAMESA Group invested in the share capital of various chinese companies (wind farms), in general holding ownership interests of 25% to 40%. Despite holding ownership interests of more than 20%, GAMESA's directors consider that significant influence does not exist in these companies since there is no power to participate in decisions regarding the financial and operating policies of these companies. In general, GAMESA Group take part in the capital of these companies with the sole objective of favouring the granting of the relevant permits for the development of the plants and the construction and sale of wind turbines for those plants. All agreements regarding the acquisition of shareholdings by the Group include a put option for GAMESA with a price based on an evaluation of the net assets relating to the shareholding to be transferred (theoretical book value), prepared by an expert qualified auditor chosen by mutual agreement among the parties and authorized by the relevant governmental agencies. These investments are stated at their acquisition cost.

With the goal of determining that the recoverable value of these stakes is not lower than book value for which they are recorded, the Group orders the accomplishment of reviews of the results and the property status by an external auditor. These reviews have an annual frequency and no existence of significant impairments have emerged from them in the recoverable value of the aforementioned participations.

During 2016, several dividends were received from these stakes or resulting from their sales for an amount of €1,980 thousands (€3,640 thousands in the year 2015) that have been registered under the heading "Financial Income" of the accompanying income statement of 2016 (Note 29.F).

B. OTHER NON-CURRENT FINANCIAL ASSETS

The detail of "Other non-current financial assets" in the consolidated balance sheets at December 31, 2016 and 2015 of the GAMESA Group is as follows:

	Thousands of euros			
	12.31.2016	**12.31.2015**	**Interest Rate**	**Maturity**
Deposits and guarantees provided long term (Note 29.D)	5,008	3,366	Euribor + margin	2018
Other long-term loans	623	18	Euribor + margin	2018
Total	**5,631**	**3,384**		

Under "Long-term deposits and guarantees given" the Group recognises mainly the guarantees provided to secure compliance with the obligations assumed by the Company, principally under leases (Note 29.D).

14. Inventories

The composition of this heading at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Raw and auxiliary materials	515,031	427,260
Work in progress and finished goods	455,005	328,751
Prepayments to suppliers	183,516	142,202
Inventory write-downs	(117,919)	(94,954)
Total	**1,035,633**	**803,259**

The movements in the provision for impairment of inventories of the Group are the following:

	Thousands of euros	
	2016	**2015**
January 1	94,954	82,299
Changes in the consolidation method	2,844	-
Impairment/(Reversal) during the year (Note 29.E)	22,663	19,476
Provisions used for their intended purpose	(2,542)	(6,821)
At December 31	**117,919**	**94,954**

Movements in the provision for impairment of inventories in 2016 and 2015 correspond mainly to the provision of certain wind promotions and with the provision of certain spare parts.

Provisions currently accounted in this heading at December 31, 2016 and 2015 basically refer to the amount accrued in prior years because of the effect of changes in technologies.

At December 31, 2016 and 2015, there were no inventories provided to secure the payment of debts or in relation to any other obligations to third parties.

15. Trade and other receivables

The detail of "Trade and other receivables" in the consolidated balance sheets at December 31, 2016 and 2015 is as follows:

Thousands of euros	12.31.2016	12.31.2015
Trade and other receivables	803,499	564,494
Construction contract receivables (Notes 3.B and 17)	473,250	451,990
Impairment due to uncollectible receivables	(50,353)	(27,646)
Total	**1,226,396**	**988,838**

All the aforementioned balances mature in less than twelve months and are non-interest-earning. Therefore, their realisable value does not differ significantly from their carrying value.

The heading "Impairment due to uncollectible receivables" includes the accounts receivable in relation to which there are doubts as to their recoverability (Note 3.H). At each reporting date, the GAMESA Group analysis the recoverability of uncollected past-due amounts and potential problems relating to the collection of not matured items.

The carrying value of the receivables and other receivables in foreign currency at December 31, 2016 and 2015 in as follows:

Currency	Equivalent value in thousands of euros	
	12.31.2016	12.31.2015
Moroccan Dirham	954	937
US Dollar	150,296	289,265
Egyptian Pound	11,234	18,976
Chinese Yuan	120,627	136,709
Polish Zloty	971	2,463
Indian Rupee	526,104	295,356
Brazilian Real	106,840	151,969
Mexican Peso	3,308	35,200
Other currencies	9,749	3,906
Total	**930,083**	**934,781**

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

	Thousands of euros	
	2016	2015
January 1	27,646	23,193
Reversal of unused amounts (Note 29.E)	16,867	1,924
Accounts receivable removed for uncollectible	-	(948)
Transfers	2,291	3,324
Changes in the consolidation method	3,519	-
Exchange differences	30	153
At December 31	**50,353**	**27,646**

16. Cash and other cash equivalents

The breakdown of "Cash and cash equivalents" in the accompanying consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	12.31.2015
Cash in euros	177,770	146,198
Cash in foreign currency (Note 3.L)	556,128	355,040
Liquid assets in less than three months	561,370	368,095
Total	**1,295,268**	**869,333**

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

17. Contract revenue recognised by reference to the stage of completion

The amount of revenue (revenue recognition resulting from sale stage of completion) on the firm WTGS and wind farm sales contracts which at December 31, met the requirements indicated in Note 3.B for the application of the percentage of stage of completion method in 2016 and 2015 amounted an increase of €593,834 thousands and a decrease of €188,169 thousands, respectively, and are recognised under the heading “Revenue” in the consolidated income statements of 2016 and 2015. For contracts in progress at December 31, 2016, the accumulated amounts of costs incurred and revenues recognised until that date amounted €2,261,638 thousands (€1,700,415 thousands for the contracts in progress at December 31, 2015).

	Thousands of euros	
	2016	**2015**
Accumulated amount of the costs incurred and revenue recognised for the contracts in progress at January 1	**1,700,415**	**1,775,149**
Variation of the sales by stage of completion	593,834	(188,169)
Exchange differences and others	(32,611)	113,435
Accumulated amount of the costs incurred and revenue recognised for the contracts in progress at December 31	**2,261,638**	**1,700,415**

Accounts receivable from contractual customers for sales recognised by the stage of completion included under “Trade and other receivables”, net of the certifications made at December 31, 2016, amounted €473,250 thousands (€451,990 thousands at December 31, 2015) (Note 15). No contractual customers’ receivables, net of certifications made, are recorded in discontinued operations (Note 36) due to sales recognised by the stage of completion at December 31, 2015 and 2016.

Accounts receivable from contract customers for sales recognised by reference to the stage of completion included under “Trade receivables from related companies”, net of the certification made (Note 32) at December 31, 2016, amounted to €36,416 thousands (€31,670 thousands at December 31, 2015).

At the ending of 2016 and 2015 there are no significant amounts of withholdings in the payments, understanding these as the amounts coming from the certifications made to the customers, which are not recovered until de fulfilment of the specific conditions in the contract for its receipt.

Prepayments received from the customers at December 31, 2016 amounted €669,961 thousands, approximately, (€522,437 thousands, approximately, 2015 yeared), and were recorded under the headings “Trade and other payables” (€509,123 thousands in 2016 and €449,511 thousands in 2015) and “Trade payables to related companies” (€160,838 thousands in 2016 and €72,926 thousands in 2015) of the liabilities side of the consolidated balance sheet. These prepayments mainly correspond to the amounts received from the customers before the beginning of the contracted works – thus they are not related with contracts in progress – like the prepayments collected in the moment of the signature of the contracts.

Finally, the quantity owed to the customers due to certificated amounts for which the work has not yet finalised at December 31, 2016 reaches to €315,882 thousands (€26,323 million at the ending of 2015), and it is recorded in the liabilities side of the consolidated balance sheet under the headings “Trade and other payables” (€185,589 thousands in 2016 and €7,325 thousands in 2015) and “Trade payables to related companies” (€130,293 thousands in 2016 and €18,998 thousands in 2015)

18. Equity of the Parent Company

A. SHARE CAPITAL

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

According to information of the company, the shareholder structure of GAMESA at December 31, 2016 and 2015 was as follows:

	% Shareholding 12.31.2016	% Shareholding 12.31.2015
Iberdrola, S.A.	19.69%	19.69%
Norges Bank	3.21%	-
Blackrock Inc. (**)	-	3.17%
Fidelity International Limited (***)	1.06%	1.10%
OZ Master Fund Ltd (****)	2.04%	-
Otros (*)	74.00%	76.04%
Total	**100%**	**100%**

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

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

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

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

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

The main objectives of the GAMESA Group's share capital management are to ensure short and long-term financial stability, the positive market performance of the shares of GAMESA, the adequate financing of its investments and maintaining levels of external financing in line with the evolution of business, all of them ensuring that the GAMESA Group maintains its financial strengthens and the soundness of its financial ratios on which the foundations of its business are based and maximise shareholder value.

At December 31, 2016, the GAMESA Group was within the parameters set by management for the purpose of managing this risk, as the ratio of debt (net of cash) to equity attributable to the Parent company was -37,59% (-19.24% in December 31, 2015).

The ratios of debt (net of cash) to equity attributable to the Parent company that are reflected throughout this note are as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Non-current liabilities		
Bank borrowings and other non-current liabilities (Notes 21 and 24)	448,920	475,689
Current liabilities		
Bank borrowings and other current liabilities (Notes 21 and 24)	127,987	108,960
Total bank borrowings	**576,907**	**584,649**
Total derivative financial instruments (Note 22)	**54,948**	**(9,112)**
Cash and other cash equivalents (Note 16)	**(1,295,268)**	**(869,333)**
Bank borrowings net of cash	**(663,413)**	**(293,796)**
Total Equity of the Parent Company	**1,724,682**	**1,526,908**
Proportion of debt (net of cash) and equity attributable to the Parent company	**(37.59%)**	**(19.24%)**

B. SHARE PREMIUM

The Spanish Companies Act expressly allows the use of the share premium account to increase share capital and it does not stablish any specific restrictions with respect to the availability of this balance.

C. UNREALISED ASSET AND LIABILITY REVALUATION RESERVE

The changes in this reserve in 2016 and 2015 were as follows:

	Thousands of euros						
	12.31.2015	Change in fair value	Taken to profit and loss	12.31.2015	Change in fair value	Taken to profit and loss (Note 22)	12.31.2016
Cash-flow hedges							
Interest rate swaps (Note 22)	(658)	(2,139)	672	(2,125)	(2,104)	1,385	(2,844)
Securities of electricity prices (Note 22)	-	9	-	9	100	(207)	(98)
Currency forwards (Note 22)	3,300	11,389	(1,188)	13,501	(39,409)	(9,616)	(35,524)
	2,642	**9,259**	**(516)**	**11,385**	**(41,413)**	**(8,438)**	**(38,446)**
Deferred taxes due to the remeasurement of unrealised assets and liabilities (Note 25)	**(880)**	**(3,000)**	**170**	**(3,710)**	**14,321**	**2,156**	**12,767**
Total	**1,762**	**6,259**	**(346)**	**7,675**	**(27,092)**	**(6,282)**	**(25,699)**

D. OTHER RESERVES

The breakdown of “Other Reserves” in the attached consolidated balance sheet is as follows:

	Thousands of euros	
	12.31.2016	12.31.2015
Restricted reserves	**56,392**	**55,739**
Legal reserve	9,494	9,494
Reserve for redenomination of capital in euros	1	1
Reserve for treasury shares	46,897	46,244
Voluntary reserves	**408,233**	**380,156**
Reserves attributable to the consolidated companies	**634,333**	**541,026**
Reserves for companies consolidated using the equity method (Note 11)	(75,214)	(56,218)
Reserves of fully consolidated companies	709,547	597,244
Total reserves	**1,098,958**	**976,921**

Legal reserve

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

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other reserves are not available for this purpose. At the end of 2016 the legal reserve is fully constituted.

E. TREASURY SHARES

The detail of the total number of treasury shares as well as the ones of the heading “Equity - Of the parent - treasury shares”, as a result of the transactions performed in 2016 and 2015, is as follows:

	Number of Shares	Thousands of euros
Balance at January 1, 2015	**3,154,218**	**(24,873)**
Acquisitions	32,771,429	(421,014)
Disposals	(32,808,945)	399,643
Balance at December 31, 2015	**3,116,702**	**(46,244)**
Acquisitions	21,931,051	(397,188)
Disposals	(21,981,493)	385,404
Disbursements of incentive plan net of tax effect	(700,995)	11,131
Balance at December 31, 2016	**2,365,265**	**(46,897)**

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

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

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

<u>2013-2015 Incentive Plan</u>

On April 19, 2013, the Shareholders General Meeting approved a programme to provide share-based payments for the attainment of the objectives of the Company's Business Plan 2013-2015. The Plan consists of an extraordinary, multi-year and mixed incentive payable in cash and in Company shares that may give rise, (i) after the application of certain ratios based on the degree to which strategic targets are met, to the payment of a cash bonus and (ii) based on the initial number of assigned shares ("theoretical shares"), to the effective delivery of shares in GAMESA at the planned payment date, As regards the portion payable in shares, no minimum value of the assigned shares is guaranteed.

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

In accordance with IFRS the company must recognize services when they are received. GAMESA recorded the rendering of services to the beneficiaries relating to the incentive payable in shares as personnel expenses on an accruals basis, apportioning the estimate of the fair value of the equity instruments assigned over the term of the plan (between January 1, 2013 and December 31, 2015), plus a two year residence time for its full payment, which involved a credit amounting €153 thousands under "Personnel expenses" in the accompanying consolidated income statement for the year 2016, charged to "Other reserves" under equity in the consolidated balance sheet at December 31, 2016. (€1,639 thousands in the six-month period ended December 31, 2015).

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

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

In addition and with respect to the cash incentive, GAMESA has recognised the rendering of services relating to this incentive as a personnel expense on an accruals basis, crediting €2,270 thousands (€4,850 thousands in 2015) to the heading "Other non-current liabilities" and “Other current liabilities” under non-current liabilities in the accompanying consolidated balance sheet at December 31, 2016.

Once the measurement period is concluded, the Board of Directors agreed that the stage of completion of this Plan was mostly 100%, being the amount to be paid €17,857 thousands and the delivery of 2,333 thousands of shares. Finally, 74 people are the beneficiaries of the plan, being delivered the 50% of such amounts in March 2016.

19. Minority shareholdings

The detail of “Equity - Of non-controlling interests” on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Thousands of euros
Balance at December 31, 2014	**93**
Profit for the year	(342)
Changes in the consolidation scope (Note 2.G)	-
Other movements	545
Balance at December 31, 2015	**296**
Profit for the year	1,118
Changes in the consolidation scope (Note 2.G)	-
Other movements	(1,094)
Balance at December 31, 2016	**320**

The minority shareholdings over the assets, liabilities, income and cash flows of the Consolidated Financial Statements of the GAMESA Group are not relevant at December 31, 2016 and 2015.

20. Differences on exchange

The GAMESA Group decided in previous years to capitalise monetary balances with foreign subsidiaries in order to maintain the financing necessary to grow those business within the framework of the approved business plans, or re-establish their financial position, if necessary. As a result of this decision, the Group classified these balances, up to their capitalization, as permanent net foreign investments and therefore the differences on exchange generated by these balances between the decision date and the formal debt capitalisation date, or December 31, 2016 if formal capitalisation had not been completed, have been recognised by charging or crediting, as appropriate, the heading “Exchange differences” under consolidated equity (Note 3.L), being its amount at December 31, 2016 €1,104 thousands (positive) all of them corresponding to indian rupees of which €10,340 thousands correspond to Brazilian reales and €1,809 thousands to indian rupees (€12,149 thousands at December 31, 2015, negative, of which €10,340 thousands correspond to Brazilian reales and €1,809 thousands to indian rupees

21. Borrowings

Bank borrowings in the accompanying consolidated balance sheet at December 31, 2016 and 2015 as well as the maturity dates, are as follows:

	Carrying Value	Debts at December 31, 2016 maturing at						
		Short Term	**Non-current**					
	Balance at 12.31.2016	**2017**	2018	2019	2020	2021	2022 and subsequent	**Total Non-current**
Accrued interest not paid	702	702	-	-	-	-	-	-
Loans	502,876	85,653	149,165	268,058	-	-	-	417,223
Payables for loan draw downs	9	9	-	-	-	-	-	-
Payables for discounted bills	112	112	-	-	-	-	-	-
Loans in euros	**503,699**	**86,476**	**149,165**	**268,058**	**-**	**-**	**-**	**417,223**
US Dollar	281	281	-	-	-	-	-	-
Indian Rupee	33,481	30,481	2,012	988	-	-	-	3,000
Brazilian Real	2,438	2,438	-	-	-	-	-	-

	Carrying Value	Debts at December 31, 2016 maturing at						
		Short Term	Non-current					
	Balance at 12.31.2016	2017	2018	2019	2020	2021	2022 and subsequent	Total Non-current
Others	4,658	358	378	400	423	447	2,652	4,300
Loans and credits facilities denominated in foreign currency (Note 3.L)	**40,858**	**33,558**	**2,390**	**1,388**	**423**	**447**	**2,652**	**7,300**
Total	**544,557**	**120,034**	**151,555**	**269,446**	**423**	**447**	**2,652**	**424,523**

	Carrying Value	Debts at December 31, 2015 maturing at						
		Short Term	Non-current					
	Balance at 12.31.2015	2016	2017	2018	2019	2020	2021 and subsequent	Total Non-current
Accrued interest not paid	1,085	1,085	-	-	-	-	-	-
Loans	479,853	41,087	19,113	150,802	268,851	-	-	438,766
Payables for loan draw downs	294	294	-	-	-	-	-	-
Payables for discounted bills	925	925	-	-	-	-	-	-
Loans in euros	**482,157**	**43,391**	**19,113**	**150,802**	**268,851**	**-**	**-**	**438,766**
US Dollar	31,940	31,940	-	-	-	-	-	-
Indian Rupee	6,942	6,942	-	-	-	-	-	-
Chinese Yuan	16,045	16,045	-	-	-	-	-	-
Brazilian Real	5,523	4,230	1,293	-	-	-	-	1,293
Others	5,194	351	362	383	404	428	3,266	4,843
Loans and credits facilities denominated in foreign currency (Note 3.L)	**65,644**	**59,508**	**1,655**	**383**	**404**	**428**	**3,266**	**6,136**
Total	**547,801**	**102,899**	**20,768**	**151,185**	**269,255**	**428**	**3,266**	**444,902**

The book value of the financial liabilities coincides with the fair value because the long-term debt is issued almost entirely at a variable rate and corresponds to the loans obtained in recent years, with very similar conditions to the ones obtained in the market currently.

On December 19, 2008, Gamesa Eólica, S.L. Unipersonal entered into a financing agreement with the European Investment Bank for a maximum of €200 million, divided into two parts, €140 million and €60 million, respectively. The terms of this credit set maturity in 2018 and 2019 and an interest rate indexed to Euribor plus a market spread. These credits were fully disposed at December 31, 2014. On March 31, 2015, Gamesa Eólica, S.L. Unipersonal partially and in advance amortised €40 million of this loan, so being the rest of the loan disposed at December 31, 2016 andd 2015 amounting €160 million.

At November 29, 2012, Gamesa Eólica, S.L. Unipersonal obtained a €260,000 thousands loan from the European Investment Bank to finance innovation, research and development projects relating to the processes of improving existing wind turbines, and the development of new products. The conditions of this loan establish its maturity date in 2019 and it accrues an interest rate referenced to the euribor rate plus a market spread. This loan is fully disposed at December 31, 2016 and 2015.

At June 3, 2014, GAMESA signed a novation of a syndicated credit line contract ("revolving") amounting €350 million maturing in June 2018. The terms of the credit line establish an interest rate indexed to Euribor plus a market spread. At December 11, 2014, GAMESA signed a novation of this syndicated credit line, increasing the limit to €750 million maturing in December 2019, from which no amount was disposed at December 31, 2014. Additionally, on December 17, 2015, GAMESA signed a new novation of that credit line, maintaining the limit amount on €750 million and extending its maturity to 2022. At December 31, 2016 and 2015 GAMESA did not disposed any amount.

At December 31, 2016, the GAMESA Group companies had been granted loans and undrawn credit facilities that accounted for 67.12% (66.42% at December 31, 2015) of the total financing granted to it, which mature between 2016 and 2026 and which bear weighted average interest at Euribor plus a market spread. The loans outstanding at December 31, 2016 and 2015 bore annual weighted average interest at approximately 2.13% and 2.56%, respectively, at that date.

At December 31, 2016 the companies of the Consolidated Group had disposed loan agreements amounting €425 million (€460 million in 2015), with certain obligations, as the compliance with financial ratios throughout the life of the agreement relating the capacity to generate resources in the operations with the debt level and financial duties. Also, there are established certain limits on the arrangement of additional borrowings and the distribution of dividends, as well as other additional conditions. Not meeting these contractual conditions would enable the banks to demand early repayment of the related amounts. At December 31, 2016, the established financial ratios are met and the Group estimates that will be also met in the future.

At December 31, 2016 and 2015, the GAMESA Group did not have any bank borrowings tied to fixed interest rates, except for the hedges described in Note 22.

The fair value, taking into consideration the counterparty credit risk, of bank borrowings at December 31, 2016 and 2015 is similar to the carrying value since the debt is subject to variable interest rates and accrued market spreads (Note 3.H).

The sensitivity of the market value of bank borrowings based on the position to interest rate changes at December 31, 2016 and 2015 is as follows:

	Thousands of euros			
	Interest rate change			
	2016		**2015**	
	+0.25%	-0.25%	+0.25%	-0.25%
Change in the value of the debt	992	(992)	1,560	(1,560)

The sensitivity of the market value of foreign currency bank borrowings based on the position to exchange rate and interest rate changes at December 31, 2016 and 2015 is as follows:

	Thousands of euros							
	2016				**2015**			
	Change in the interest rate		**Change in Exchange rate (EUR/foreign currency)**		**Change in the interest rate**		**Change in Exchange rate (EUR/foreign currency)**	
Change in the value of the debt	**+0.25%**	**-0.25%**	**+5%**	**-5%**	**+0.25%**	**-0.25%**	**+5%**	**-5%**
US Dollar	1	(1)	-	-	18	(18)	1,521	(1,681)
Chinese Yuan	-	-	-	-	1	(1)	76 4	(844)
Brazilian Real	13	(13)	116	(128)	28	(28)	263	(291)
Swedish Krona	3	(3)	222	(245)	4	(4)	247	(273)
Indian Rupee	68	(68)	1,594	(1,762)	36	(36)	331	(365)

The GAMESA Group hedges part of the risk associated with the volatility of cash flows relating to the interest payments on borrowings tied to floating interest rates through derivative financial instruments (Notes 4.C and 22).

22. Derivative financial instruments

The GAMESA Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly foreign currency and interest rate risk. The detail of the balances that represent the revaluation of derivatives in the consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros 12.31.2016			
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
INTEREST RATE HEDGES				
Cash-flow hedges				
Interest rate swaps	-	-	91	3,114
ELECTRIC PRICES HEDGES				
Cash-flow hedges	-	47	-	52
FOREIGN CURRENCY HEDGES				
Cash/flow hedges	56	29,721	-	4,010
Exchange insurance	1,734	13,050	-	-
OTHER DERIVATIVES (*)				
Other derivatives	10,250	17,085	-	-
Total	**12,040**	**59,903**	**91**	**7,176**

(*) Refers to the put and the call options granted and received for the purchase of Adwen described in Note 38.

	Thousands of euros 12.31.2015			
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
INTEREST RATE HEDGES				
Cash-flow hedges				
Interest rate swaps	-	60	223	2,247
ELECTRIC PRICES HEDGES				
Cash-flow hedges	-	-	9	-
FOREIGN CURRENCY HEDGES				
Cash-flow hedges				
Exchange insurance	9,362	1,608	7,352	1,622
Fair value hedge				
Exchange insurance	300	2,597	-	-
Total	**9,662**	**4,265**	**7,584**	**3,869**

In 2016, to offset the effect on the consolidated income statement of hedging transactions, the GAMESA Group recognised an expense of €1,385 thousands (€672 thousands in 2015) under “Finance costs” in the consolidated income statement of 2016 (Note 29.G), and in the heading “Exchange differences” of the consolidated income statement for the 2016 an income of €9,616 thousands (€1,188 thousands in 2015), accounted under the heading “Equity - Of the parent - unrealised asset and liability revaluation reserve” (Note 18.C), under which they had previously been classified.

The GAMESA Group uses derivatives as foreign currency hedges to mitigate the possible volatility effect of exchange rate fluctuations on future cash flows from transactions and loans in currencies other than the functional currency of the company concerned. In addition, GAMESA Group designates hedges for the exchange rate risk deriving from certain intragroup monetary transactions carried out by companies with different functional currencies. These hedging transactions mature mainly in 2017. At December 31, 2016 and 2015 the total nominal value covered by exchange rate hedges is as follows:

Currency	Thousands of euros 12.31.2016	12.31.2015
US Dollar	216,161	40,636
Chinese Yuan	137,989	95,658
Brazilian Real	36,715	53,124
Indian Rupee	86,538	46,049
Mexican Peso	19,483	8,942
Others	13,574	-

Also, the GAMESA Group arranges interest rate hedges in order to mitigate the effect of interest rate fluctuations on future cash flows from loans tied to variable interest rates. At December 31, 2016 and

2015, the nominal value of the liabilities hedged by interest rate hedges amounted to €218,455 thousands and €220,777 thousands, respectively.

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

	Estimated period of cash-flows	
Year 2016	**2017**	**2018 and subsequent**
Interest rates	2,234	216,212

	Estimated period of cash-flows	
Year 2015	**2016**	**2017 and subsequent**
Interest rates	2,234	218,543

No significant ineffectiveness has been detected in the hedges designated by GAMESA Group in 2016 and 2015.

A. CREDIT RISK

The breakdown of the risk, by geographical area and counterparty, indicating the book value thereof at the relevant dates, is as follows:

	2016		**2015**	
	Thousands of euros	**%**	**Thousands of euros**	**%**
By Geographical area				
Spain	205	1.69%	2,398	13.90%
Other European Union countries	11,130	91.75%	-	-
Rest of the world	796	6.56%	14,848	86.10%
Total	**12,131**	**100%**	**17,246**	**100%**
By Counterparty				
Credit institutions	1,881	15,51%	17,246	100%
Other institutions (Notes 3.H and 38)	10,250	84.49%	-	-
Total	**12,131**	**100%**	**17,246**	**100%**

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

	2016		**2015**	
	Thousands of euros	**%**	**Thousands of euros**	**%**
Risks rated A or A-	12,004	98.95%	7,955	46.13%
Risks rated BBB+	72	0.59%	649	3.76%
Risks rated BBB	4	0.04%	1,346	7.80%
Risks rated BBB- or less	51	0.42%	7,296	42.31%
Total	**12,131**	**100%**	**17,246**	**100%**

B. MARKET RISK

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

	Percentage change in interest rate			
	2016		**2015**	
Thousands of euros	**+5%**	**-5%**	**+5%**	**+5%**
Change in the value of the hedge	(8)	8	(6)	(6)

Thousands of euros	Percentage change in exchange rates			
	2016		2015	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	(2,152)	2,152	(560)	560

23. Provisions for liabilities and charges

The breakdown of “Provisions for contingencies and charges” on the liabilities of the accompanying consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

Thousands of euros	Provisions for litigation, termination benefits, taxes and similar	Provisions for guarantees	Provisions for contracts reflecting losses
Balance at January 1, 2015	**19,422**	**215,618**	**235,040**
Period provisions charged to income statement (Note 29.E)	7,155	104,750	111,905
Provisions used for their intended purpose	(7,457)	(80,778)	(88,235)
Differences on exchange in foreign currency	(50)	(1,748)	(1,798)
Balance at December 31, 2015	**19,070**	**237,842**	**256,912**
Period provisions charged to income statement (Note 29.E)	1,327	116,190	117,517
Provisions used for their intended purpose	(4,669)	(112,657)	(117,326)
Transfers	-	(2,667)	(2,667)
Differences on exchange in foreign currency	921	3,572	4,493
Balance at December 31, 2016	**16,649**	**242,280**	**258,929**

The information regarding the information for the Group's provisions is divided into 2 large groups:

A. LITIGATION, TERMINATION BENEFITS, TAXES AND SIMILAR

The GAMESA Group recognises provisions for third-party liabilities arising from litigation in progress and from termination benefits, obligations, collateral and other similar guarantees for which the Company is legally liable. At the end of each reporting period the GAMESA Group estimates the liabilities arising from litigation and similar events which require the recognition of provisions of a tax and legal nature. Although the Group considers that the cash outflows will take place in the coming years, it cannot predict the settlement date of these liabilities and, therefore, it does not make an estimate of the specific dates of the cash outflows, considering the effect of a potential discount to present value to be immaterial.

B. PROVISIONS FOR GUARANTEES

The provision for guarantees are related basically to the possible repair and start-up expenses which should be covered by the Group during the guarantee period established in each WTGS sale agreement (generally two years) and those specific provisions derived from operative errors.

The provision for guarantees additionally includes the balances of non-recurring provisions recorded that derived from various factors, including customer complaints in the exclusive area of operational activity of the Group, mainly to cover the cost of replacement or repair costs in the terms for completion agreed upon with the client.

In the calculation of this provision, the financial actualization has not been considered nor the increase of the future costs increase, considering that both effects would be compensated and its effect would not be significant.

24. Other non-current liabilities

The breakdown of “Other non-current liabilities” in the accompanying consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Prepayments refundable	24,397	30,787
Other non-current liabilities	13,790	13,153
Total	**38,187**	**43,940**

"Prepayments refundable" includes basically interest-free advances provided to the Group companies Gamesa Innovation and Technology, S.L.U, Gamesa Energy Transmission, S.A.U and Gamesa Electric, S.A.U by the Ministry of Science and Technology and other public agencies to finance R&D projects, which are repayable over 7 or 10 years, following a three-year grace period. The portion of these advances maturing in the short term is recognised under "Other current liabilities" in the consolidated balance sheet. These amounts mature as follows:

		Prepayments refundable at December 31, 2016 maturing at						
		Short Term	**Non-current**					
	Balance at 12.31.2016	**2017**	2018	2019	2020	2021	2022 onwards	**Total Long Term**
Prepayments refundable	**32,350**	**7,953**	3,468	4,492	4,307	4,028	8,102	**24,397**

		Prepayments refundable at December 31, 2015 maturing at						
		Short Term	**Non-current**					
	Balance at 12.31.2015	**2016**	2017	2018	2019	2020	2021 onwards	**Total Long Term**
Prepayments refundable	**36,848**	**6,061**	5,230	4,554	4,654	4,396	11,953	**30,787**

The financial liability corresponding to these prepayments refundable is recognised at its present value, which basically coincides with its fair value, and the difference up to its repayment value calculated at a rate of 3% is recognised as an implicit aid to be recognised as income on a systematic basis, over the periods required to offset it with the related costs (Note 3.H).

25. Deferred taxes

The breakdown of "Deferred tax assets" and "Deferred tax liabilities" in the accompanying consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

Thousands of euros	12.31.2015	Allocation and/or credit (charge) to income (Note 27)	Credit (charge) to asset and liability revaluation reserve	Differences on exchange	Disposals/ Excluded from consolidation	12.31.2016
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 22)	2,028	4,733	5,313	736	-	12,810
Tax loss carryforwards	171,694	(1,877)	-	1,729	-	171,546
Unused tax credits recognised	103,562	(22,835)	-	-	-	80,727
Temporary differences	144,504	19,126	-	6,654	-	170,284
Total	**421,788**	**(853)**	**5,313**	**9,119**	**-**	**435,367**
Deferred tax liabilities:						
Deductible Goodwill	(40,101)	(6,402)	-	-	-	(46,503)
Revaluation of derivative financial instruments (Note 22)	(5,738)	(2,577)	9,008	(736)	-	(43)
Temporary differences	(69,809)	5,537	-	(2,069)	-	(66,341)
Total	**(115,648)**	**(3,442)**	**9,008**	**(2,805)**	**-**	**(112,887)**

Thousands of euros	12.31.2015	Allocation and/or credit (charge) to income (Note 27)	Credit (charge) to asset and liability revaluation reserve	Differences on exchange	Disposals/ Excluded from consolidation	12.31.2015
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 22)	220	-	1,842	(34)	-	2,028
Tax loss carryforwards	149,717	20,529	-	1,448	-	171,694
Unused tax credits recognised	141,022	(37,460)	-	-	-	103,562
Temporary differences	114,330	32,671	-	(2,113)	(384)	144,504
Total	**405,289**	**15,740**	**1,842**	**(699)**	**(384)**	**421,788**
Deferred tax liabilities:						
Deductible goodwill	(39,201)	(900)	-	-	-	(40,101)
Revaluation of derivative financial instruments (Note 22)	(1,100)	-	(5,648)	1,010	-	(5,738)
Temporary differences	(43,104)	(27,083)	-	327	51	(69,809)
Total	**(83,405)**	**(27,983)**	**(5,648)**	**1,337**	**51**	**(115,648)**

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

The breakdown of temporary asset differences for items at December 31, 2016 and 2015 are the following:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Provisions for liabilities and charges and other provisions	85,605	68,044
Impairment of property, plant and equipment	30,627	28,962
Finance cost	1,088	3,291
Other temporary differences	52,964	44,207
Total	**170,284**	**144,504**

The breakdown of temporary liabilities differences for items at December 31, 2016 and 2015 are the following:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Differences between accounting and fiscal depreciation	(41,641)	(35,241)
Other temporaty differences	(24,700)	(34,568)
Total	**(66,341)**	**(69,809)**

26. Public administrations

The Parent Company has its tax registered office for tax purposes in Bizkaia, and the tax legislation applicable to 2016 and 2015 is that in force in the Historic Territory of Bizkaia.

The detail of "Current assets – Tax receivables" and "Other payables – Tax payables" on the asset and liability sides, respectively, of the consolidated balance sheets at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	12.31.2016	12.31.2015
Tax receivables		
VAT refundables	147,791	121,044
Tax withholdings and interim payments made	86,442	28,065
VAT refunds receivable and other	61,634	58,097
Grants receivable	5,570	5,877
Total	**301,437**	**213,083**

	Thousands of euros	
	12.31.2016	12.31.2015
Tax payables		
VAT payables	62,672	52,278
Withholdings payable	20,812	7,718
Corporate income tax payable	82,479	33,024
Other taxes payable	701	2,012
Social security	7,159	5,241
Total	**173,823**	**100,273**

The Parent company is subject to Bizkaia tax legislation and together with its subsidiaries that meet the requirements established in the applicable legislation, based on the special consolidated VAT regime provided for in Chapter IX of Foral regulatory 7/1994 (November 9) of the historical territory of Bizkaia which regulates this tax, at its basic level, being GAMESA the Parent company of this Tax Group and its subsidiaries are as follows:

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

27. Income tax expense/(income)

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

Gamesa Corporación Tecnológica, S.A. (Sociedad dominante)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Gamesa Europa, S.L.U.	Sistemas Energéticos Fonseca, S.A.U.
Gamesa Energía, S.A.U.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Gamesa Venture Capital, S.A.	Sistemas Energéticos Balazote, S.A.U.
Gamesa Inversiones Energéticas Renovables, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
International Windfarm Development II, S.L.	Sistemas Energéticos Monte Genaro, S.L.U.

Sistemas Energéticos Tablero Tabordo, S.L.	Sistemas Energéticos Argañoso, S.A.U.
Sistemas Energéticos Tarifa, S.A.U.	Sistemas Energéticos Carril, S.A.U.
International Windfarm Development IV, S.L.	Sistemas Energéticos Jaralón, S.A.U.
International Windfarm Development V, S.L.	Sistemas Energéticos Lomas del Reposo, S.A.U.
International Windfarm Development VII, S.L.	International Windfarm Development VI, S.L.
Gamesa Financiación, S.A.	International Windfarm Development IX, S.L.
Parque Eólico Dos Picos, S.L.	

Since 2010 the subsidiaries Gamesa Eólica, S.L.Unipersonal, Gamesa Innovation and Technology, S.L.Unipersonal and Estructuras Metálicas Singulares, S.A.Unipersonal resolved to be taxed under the Navarre consolidated tax regime, being Gamesa Eólica, S.L.Unipersonal the Parent company of this Tax Group. Additionally, Gamesa Latam, S.L. Unipersonal, Gamesa APAC, S.L. Unipersonal y Sistemas Energéticos El Valle, S.L. were incorporated to this special consolidated tax regime during 2016.

Since 2005 Gamesa Technology Corporation, Inc and its subsidiaries have filed Consolidated Federal Income Tax returns in the US, being Gamesa Technology Corporation, Inc. the Parent company of this Tax Group.

The other consolidated companies file individual tax returns.

The difference between the tax charge allocated to each year and the tax payable for that year, recognised in “Deferred tax assets” and “Deferred tax liabilities” on the asset and liability sides, respectively, of the consolidated balance sheets at December 31, 2016 and 2015, arose as a result of the following noteworthy circumstances:

- The different accounting and tax methods for recognising certain provisions.
- Temporary differences deriving from the limit of deducting financial expenses for tax purposes.

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

	Thousands of euros	
	2016	**2015**
Current taxes	120,120	64,310
Deferred taxes (Note 25)	4,295	12,243
Income tax expense/(income)	**124,415**	**76,553**

The income tax expense (income) for 2016 and 2015 was determined as follows:

	Thousands of euros	
	2016	**2015**
Consolidated result before income tax	**435,551**	**253,599**
Permanent differences:		
- Exemption of gains from the sale of wind farms	(11,849)	(669)
- Assignment of intangible assets	(99,733)	(72,460)
- Profits from companies consolidated using the equity method (Note 11)	18,996	24,988
- Impairment reversal on the Windar shareholding (Note 11)	(15,000)	-
- Dividends and other permanent differences	6,390	39,613
Adjusted book result	**334,355**	**245,071**
Gross tax at current rate in each country (*)	104,351	76,625
Deductions due to tax incentives and others generated during the year	(10,655)	(6,529)
Temporary differences relating to unrecoverable assets and other adjustments	30,719	6,457
Expense/(revenue) accrued on corporate income tax	**124,415**	**76,553**

(*) The fully consolidated foreign subsidiaries calculate the corporate income tax expense and the tax charges for the various taxes applicable to them according to the legislation, and at the tax rates in force in their respective countries. When calculating the gross tax the effect of tax-loss carryforwards for the year from those subsidiaries have not been taken into account since there are doubts that they may be realised.

The tax credits recognised in the year were generated by the Group as a result of the expenditure incurred and investments made in research and development and technological innovation activities, investments in non-current assets and job creation.

Under current legislation, tax losses could be offset for tax purposes against the taxable profits that will foreseeably arise in future periods according to the applicable legislation of each period. In this sense, the companies of the GAMESA Group have €171,546 thousands in tax-loss carryforwards available to offset in future years (€171,694 thousands in December 31, 2015). Additionally there are still registered unused tax credits amounting €80,727 thousands (€103,562 thousands in December 31, 2015) (Note 25).

Specifically, the recovery of the tax-loss carryforwards and deductions, with respect to the main tax groups has been analysed as follows:

· Navarre tax group for €192,325 thousands (€210,477 thousands in 2015). The recovery of the tax-loss carryforwards and deductions by the Navarre Tax Group are reasonably ensured over a period of 10 years. Tax-loss carryforwards and deductions generated by the Navarre Tax Group expire for tax purposes in 15 years from the date of its generation. The tax-loss carryforwards that were recognised for an amount of €114,169 thousands (€114,169 thousands in December, 31 2015) and the deductions recognised for an amount of €78,156 thousands (€96,308 thousands in December 31, 2015) expire for tax purposes from 2024 froward.

· In addition, at the end of 2016 there were tax-loss carry forwards and deductions generated in other companies of the Group amounting to €57,377 thousands (€57,395 thousands in 2015) that have yet to be applied and his recovery is assured over a maximum of 5 years. The most significant amount is related to tax-loss carryforwards recognised in the United States for an amount of €54,841 thousands (€52,046 thousands in December 31, 2015) that expire or tax purposes from 2032 onward.

At December 31, 2016 and 2015, the GAMESA Group companies had unrecognised deferred tax assets. Also, the Group has unrecognised accredited tax loss carryforwards amounting to approximately €205,174 thousands (€217,569 thousands at December 31, 2015) and tax deductions amounting to approximately €157,277 thousands (€142,231 thousands at December 31, 2015). These deferred tax assets were not recognised because the GAMESA Group considers that the conditions for considering them to be recoverable in future years were not met. Tax-loss carryforwards and unrecognised deductions will expire for tax purposes from 2021 onward.

In accordance with current legislation, taxes may not be regarded as definitively settled until the relevant returns have been examined by the tax authorities or the relevant time limit has ended. At December 31, 2016, in Spain the Group has all years since 2012 open for review for income tax and all years since 2013 for the other taxes applicable to it. The Parent company's Directors consider that the aforementioned taxes have been appropriately settled and, consequently, even if there are discrepancies with respect to the interpretation of current legislation for the tax treatment given to the transactions, any potential resulting liabilities would not have a material effect on the accompanying Consolidated Financial Statements.

28. Commitments, guarantees to third parties and contingent liabilities

At December 31, 2016, the GAMESA Group had received guarantees from banks and insurance companies that were provided to third parties amounting €1,716,936 thousands (€1, 573,793 thousands in 2015). The breakdown by type, of the guarantees received by the GAMESA Group is as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Financing Guarantees	32,862	58,481
Business contract guarantees	1,666,282	1,488,647
Guarantees provided to the government	17,792	26,665
Total	**1,716,936**	**1,573,793**

According to the agreement of joint partners for the management of the offshore business (Note 11), both GAMESA and Areva have commitments for the transmission of shares and for the obtaining of external financing. Likewise, the GAMESA Group has given guarantees that were required for the activity of Adwen approximately amounting €478.5 million at December 31, 2016 (€304 million at Decemcer 31, 2015), as well as guarantees for the consecution of the financing for an amount of

€124.1 million (€68.4 million at December 31, 2015). The GAMESA Group does not maintain with Adwen other commitments or contingencies different to the aforementioned.

The GAMESA Group considers that the liabilities, if any, which might arise from the obligations and guarantees shown in the table above additional to those for which provisions had been recognised at December 31, 2016 and 2015 would not be significant.

29. Revenue and expense

A. REVENUE AND OTHER OPERATING INCOME

The detail of these headings in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Sale of goods (Notes 3.A and 3.B)	4,190,115	2,914,026
Rendering of services	421,868	589,776
Net revenues	**4,611,983**	**3,503,802**
Operating grants (Note 3.M)	959	664
Own work capitalised (Notes 3.D and 3.E)	69,063	52,082
Other revenues	6,638	10,702
Other operating income	**76,660**	**63,448**

B. PROCUREMENTS

The detail of "Procurements" in the consolidated income statements for 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Acquisitions of raw materials and other supplies	3,326,762	2,575,159
Changes in inventories of goods held for resale and raw materials (Note 14)	(87,771)	(97,020)
Total	**3,238,991**	**2,478,139**

C. STAFF COSTS

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Wages and salaries	313,676	256,369
Incentive Plan (Note 18.E)	2,923	6,489
Compensations	4,010	5,800
Company Social Security contributions	66,356	55,826
Other benefit expenses	20,960	16,566
Total	**407,925**	**341,050**

In the framework of the Group policy to use incentive programs linked to the achievement of strategic medium-and long-term objectives, the Management Board has approved a 2016-17 incentive which are beneficiaries, the President and CEO, managers and key personnel in number of approximately 100 people, linked to achieving an operating result (EBIT) of the period from January 1, 2016, up to the date of effectiveness of the merger to end of the first quarter or beginning of the second quarter of 2017 (Note 37) and that includes a period of permanence for their full payment of two years. Based on this agreement, the Company has provided in the year 2016 a total of 5.2 million euros (none in the year 2015) with a credit to the heading "Other non-current liabilities".

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

Categories	2016	2015
Board Members	12	11
Senior management	6	6
Directors	132	98
Management personnel	4,386	4,077
Employees	3,916	2,588
Total	**8,452**	**6,780**

In 2016, the company has created a new single catalogue of job positions, allocating the same roll and professional level to the equivalent positions in the regions and functions. The single catalogue and the organisational structure required by the regionalization were resulted in the reclassification of several positions.

The distribution of employees by gender in the year-end 2016 and 2015 is as follows:

	12.31.2016		
	Male	**Female**	**Total**
Board Members	10	2	12
Senior management	6	-	6
Directors	119	14	133
Management personnel	3,757	1,106	4,863
Employees	3,798	567	4,365
Total	**7,690**	**1,689**	**9,379**

	12.31.2015		
	Male	**Female**	**Total**
Board Members	9	3	12
Senior management	6	-	6
Directors	87	12	99
Management personnel	3,321	991	4,312
Employees	2,311	543	2,854
Total	**5,734**	**1,549**	**7,283**

The average number of employees of the Group in 2016 and 2015, with a disability equal to or greater than 33%, by category, was as follows:

Categories	2016	2015
Management personnel	8	9
Employees	21	20
Total	**29**	**29**

D. OTHER OPERATING EXPENSES

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Rent and royalties	47,188	40,960
Repairs, upkeep and maintenance expenses	18,928	14,023
Independent professional services	57,966	41,219
Vehicles	27,603	17,143
Insurance	23,281	19,089
Bank and similar services	15,079	12,372
Advertising, publicity and public relations	5,028	3,639
Utilites	15,845	15,460
Travel Expenses	40,649	35,795
Telecommunications	5,637	4,872
Security	5,560	4,622
Cleaning	2,018	1,848
Subcontracting	36,786	31,463
Other services	54,186	35,418
Taxes and other	48,843	29,567
Total	**404,597**	**307,490**

At December 31, 2016, the future minimum lease payments under non-cancellable operating leases arranged by the GAMESA Group amounted approximately to €43,841 thousands (€30,658 thousands in December 31, 2015). The due dates for the operating lease instalments that cannot be cancelled are as follows:

Year 2016	Thousands of euros		
	2017	**2018-2021**	**2022 onwards**
Operating lease instalments that cannot be cancelled	11,792	24,397	7,652

Year 2015	Thousands of euros		
	2016	**2017-2020**	**2021 onwards**
Operating lease instalments that cannot be cancelled	7,064	19,026	4,568

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

At December 31, 2016, the Company had recognised €5,008 thousands under the "Non-current deposits and guarantees" heading(Note 13.B) mainly related to existing leases (€3,366 thousands at December 31, 2015).

E. DEPRECIATION AND AMORTISATION CHARGE AND PROVISIONS

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Property, plant and equipment depreciation charge (Note 10)	83,320	63,816
Intangible asset amortisation charge (Note 9)	41,280	32,237
Depreciation	**124,600**	**96,053**
Change in operating provisions for guarantees and others (Note 23)	117,517	111,905
Change in write-downs of inventories (Note 14)	22,663	19,476
Change in other trade provisions (Note 15)	16,867	1,924
Provisions	**157,047**	**133,305**
Depreciation and provisions	**281,647**	**229,358**

F. FINANCE INCOME

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Profits from available-for-sale assets (Note 13.A)	1,980	3,640
Other finance and similar income	24,463	9,959
Total	**26,443**	**13,599**

G. FINANCE COSTS

The breakdown of this balance in the 2016 and 2015 consolidated income statements is as follows:

	Thousands of euros	
	2016	**2015**
Financial expenses and others treated as such	47,920	46,453
Transfer of gains/losses on hedges of cash flows (Notes 18.C and 22)	1,385	672
Total	**49,305**	**47,125**

Capitalised interest on the construction of wind farms in 2016 and 2015 amounted to €1,277 thousands and €2,344 thousands, respectively. The average capitalisation rates used in 2016 and 2015 were 7.55% and 5.74%, respectively.

30. <u>Directors' remuneration</u>

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

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

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

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

Within them fees to the Management Board the provision registered by incentive 2016-17 of which beneficiary is the President and Managing Director amounting to €366 thousands (none in 2015), whose remuneration will be effective once the period of time measurement has finished and whose liquidation will be produced a function of the extent of effective compliance of the objectives that they are subject to have not been included (Note 29.C).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31. Remuneration of senior management

Excluding those who are simultaneously members of the Board of Directors (whose remuneration is detailed in the Note 30), the compensation paid or payable to members of senior management for past employment services is set out in the following table:

	Thousands of euros euros	
	2016	**2015**
Salaries and other short-term compensation	3,628	4,694
Share-based payments	3,538	2,972
Total	**7,166**	**7,666**

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

Within them fees to the Senior Management the provision recorded by 2016-17 incentive of which are beneficiaries the members of the Senior Management amounting to €914 thousands (none euros in

2015), whose remuneration will be effective once the period of time measurement has finished and whose liquidation will be produced a function of the extent of effective compliance of the objectives that they are subject to, have not been included (Note 29.C).

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

32. Related party balances and transactions

All the significant balances at year-end between the consolidated companies and the effect of the transactions between them during the year were eliminated in consolidation. The breakdown of the transactions with related companies and associates and companies that are related parties which were not eliminated in consolidation in 2016 and 2015 is as follows:

	Thousands of euros			
Year 2016	**Receivables**	**Balances Payables**	**Sales and services rendered**	**Services received**
Iberdrola, S.A. and subsidiaries	258,036	345,269	596,662	2,476
(Note 18)	23,555	61,409	2,326	79,551
Windar Renovables, S.L. and subsidiaries (Note 11)	101,906	-	4,461	-
Adwen Offshore, S.L. and subsidiaries (Note 11)	13,781	680	1,609	9,757
Others				
Total	**397,278**	**407,358**	**605,058**	**91,784**

	Thousands of euros			
Year 2015	**Receivables**	**Balances Payables**	**Sales and services rendered**	**Services received**
Iberdrola, S.A. and subsidiaries (Note 18)	47,393	100,275	207,860	6,352
Windar Renovables, S.L. and subsidiaries (Note 11)	28,226	46,263	1,027	102,778
Adwen Offshore, S.L. and subsidiaries (Note 11)	101,987	1,250	5,745	-
Others	11,417	933	1,425	20,229
Total	**189,023**	**148,721**	**216,057**	**129,359**

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

In addition, the GAMESA Group granted endorsements and/or guarantees amounting to €219 million at December 31, 2016 (€156 million at December 31, 2015).

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

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

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

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

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

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

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

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

  - The extension of current maintenance services.

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

In the field of these negotiations, the parties formalized in March 2015 a new framework agreement that resolved the previous one dated on January 1, 2013 for the G8x and on January 1, 2012 for the G4X and G5x, incorporate, on the clauses of these, the amendments referred to above and with effect from January 1, 2014 for a total of 4,383 MW.

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

At December 2016, a later addendum to the previous contract has been signed extending it by additional 612MW for the 2MW platform. Moreover, for different companies in the Iberdrola Group an additional 795MW have been negotiated.

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

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

33. Other information

A) INFORMATION REGARDING THE DEFERRAL OF PAYMENTS MADE TO SUPPLIERS

In accordance with the single additional provision of the Resolution of January 29, 2016 of the Accounting and Audit Institute, about the information to include in the notes to the financial accounts related with the deferral of payments made to suppliers in commercial operations.

The average payment period to suppliers in the year 2016 and 2015 was the following:

	2016	2015
	Days	Days
Average payment period	48.38	56.81
Settled operations ratio	47.96	57.47
Pending operations ratio	59.24	41.35

	Amount (Thousands of euros)	
	2016	2015
Total settled payments	1,357,891	1,100,007
Total pending payments	30,001	47,151

This average payment period is referred to the suppliers of the Spanish companies of the consolidated scope that for its nature are trade payables for goods and services supply, so it includes the figures related to "Trade and other payables" and "Trade and other payables to related companies" in the liabilities of the consolidated balance sheet attached.

34. Fees paid to auditors

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

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

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

35. Earnings per share

At December 31, 2016 the average number of ordinary shares used in the calculation of earnings per share is 276,723,351 shares (Note 18.A) (276,132,529 shares at December 31, 2015), given that in 2016 GAMESA has held an average of 2,545,436 treasury shares (3,135,460 in 2015) (Note 18.E).

The basic earnings per share from continuing and discontinued operations attributable to the Parent company in 2016 and 2015 were as follows:

	2016	2015
Net profit from continuing operations attributable to the Parent (thousands of euros)	310,018	177,388
Net profit from discontinued operations attributable to the Parent (thousands of euros)	(8,740)	(7,172)
Average number of outstanding shares	276,723,351	276,132,529
Basic earnings per share from continuing operations (euros)	1.1203	0.6424
Basic earnings per share from discontinued operations (euros)	(0.0316)	(0.0260)
Total basic earnings per share	**1.0887**	**0.6164**

At December 31, 2016 and 2015, Gamesa Corporación Tecnológica, S.A., the Parent of the GAMESA Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

36. Disposal groups of assets classified as held-for-sale and discontinued activities

The Assets and Liabilities of the wind farm promotion in the United States, are presented as “Disposal groups of assets classified as held-for-sale” after the decision by Management to suspend the development and sale of wind farms in the United States.

Although it has passed more than one year since the classification of those assets as non-current assets held-for-sale, GAMESA keeps the prior classification because of the delay in facts or circumstances out of the Group’s control and the commitment and plan to sell the assets is maintained.

The breakdown of the assets and liabilities that make up opponent classified as "Disposal groups of assets classified as held-for-sale" at December 31, 2016 and 2015, as in both years the conditions for such a classification were met in accordance with the matters indicated in Notes 3.I, are as follows:

	Thousands of euros	
	12.31.2016	**12.31.2015**
Inventories	20,537	27,940
Receivables	813	806
Cash and other cash equivalents	-	-
Total current assets	**21,350**	**28,746**
Total disposal groups of items classified as held-for-sale	**21,350**	**28,746**
Other non-current liabilities	600	570
Total non-current liabilities	**600**	**570**
Other current liabilities	923	273
Total current liabilities	**923**	**273**
Total liabilities associated with disposal groups of items classified as held-for-sale	**1,523**	**843**
Net asset in disposal group	**19,827**	**27,903**

The main headings of the income statement relating to the component classified as a discontinued operation in 2016 and 2015 are as follows:

	Thousands of euros	
	2016	**2015**
Net revenues	4,006	4,262
Other expenses	(12,746)	(11,434)
Profit/(loss) before taxes	**(8,740)**	**(7,172)**
Corporate income tax attributable	-	-
Profit /(loss) for the year from discontinued activities	**(8,740)**	**(7,172)**

The development and sale of wind farms in the United States at December 31, 2016 and 2015 relates mainly to an operating wind farm in use owned by GAMESA and recognised under the heading "Inventories" in the table above. This heading was subjected to €31.9 million impairment recognised because the book value was higher than the recoverable value estimated by cash flow forecasts and references to transactions and other market parameters at December 31, 2012 with an additional impairment of €3 million at December 31, 2015.

At the date of authorisation for issue of the 2016 Group's Consolidated Financial, GAMESA maintains sales negotiations of this wind farm, having received a purchase offer amounting approximately €19 million. In this context, GAMESA has reflected an additional impairment that amounts €7 million, to consider the offer received as the best reflection of the expected realizable value. The management is developing the necessary actions interposed in the negotiation process, expecting a favourable resolution regarding the transfer of the non-current assets in the short-term.

At December 31, 2016 the amount recognised as "Profit for the year from discontinued operations" fundamentally includes the losses generated by this wind farm.

The breakdown of cash flows deriving from the component classified as discontinued operations in 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Cash flows from operating activities	(2)	1
Cash flows from investing activities	-	-
Cash flows from financing activities	2	-
Total cash flows from discontinued activities	**-**	**1**

37. Merger agreement with Siemens

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

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

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

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

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

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

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

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

38. Post-balance sheet events

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

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

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

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

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

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

Finally, the agreements signed between GAMESA and Siemens regulate the scenarios where, if the merger is not completed, certain rights and obligations assumed by GAMESA as a consequence of the sale will also be assigned to Siemens, through cross/linked options. Considering the characteristics of the mentioned operations that are being developed derived from the agreements signed between both parties and, in any of the most probable scenarios that could be derived from their execution, the negative impact has been estimated to be approximately €7 million, registered under the "Financial expenses" heading in the consolidated income statement of the year 2016.

In this sense, the GAMESA Group has made its best estimate of the probabilities associated with these scenarios in order to determine the designated impact on the income statement.

Additionally, there were no other significant post balance sheet events.

39. <u>Explanation added for translation to English</u>

These Consolidated Financial Statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRS may not conform to other generally accepted accounting principles in other countries.

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
FULLY CONSOLIDATED COMPANIES				
A) GAMESA ENERGÍA GROUP				
Gamesa Energía, S.A. Unipersonal	Development of wind farms	EY	Vizcaya	100%
A.1 Wind Farms				
· **Development of wind farms**				
Gamesa Inversiones Energéticas Renovables, S.A.	Development of wind farms	EY	Vizcaya	100%
Gamesa Energía Italia, S.P.A.	Development of wind farms	EY	Italy	100%
Gamesa Energiaki Hellas, A.E.	Development of wind farms	EY	Greece	100%
Gamesa Energie France, E.U.R.L.	Development of wind farms	EY	France	100%
Parques Eólicos del Caribe, S.A.	Development of wind farms	PWC	Dominican Republic	57%
Navitas Energy, Inc.	Development of wind farms	-	United States	97%
Gamesa Energy Romania, Srl	Development of wind farms	-	Romania	99%
Gamesa Energy UK, Ltd.	Development of wind farms	EY	United Kingdom	100%
Wind Portfolio MemberCo, LLC	Development of wind farms	-	United States	100%
Gamesa Energie Deutschland, GmbH	Development of wind farms	EY	Germany	100%
Kurnool Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
Kadapa Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
Anantapur Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
GERR, Grupo Energético XXI, S.A Unipersonal	Development of wind farms	-	Barcelona	100%
International Wind Farm Developments II, S.L.	Development of wind farms	-	Vizcaya	100%
Sistemas Energéticos Tablero Tabordo, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Developments IX, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development IV, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development V, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development VI, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development VII, S.L.	Development of wind farms	-	Vizcaya	100%
Eólica Da Cadeira, S.A.	Development of wind farms	-	A Coruña	65%
Gesa Energía S.R.L.de C.V.	Development of wind farms	-	Mexico	100%
Gesan México 1, S.A.P.I. DE C.V.	Development of wind farms	EY	Mexico	100%
EBV Holding Verwaltung, GmbH	Development of wind farms	-	Germany	100%
Gamesa Europa, S.L.	Development of wind farms	-	Galicia	100%
Gamesa Wind Romania, S.R.L.	Development of wind farms	EY	Romania	100%
· **Operation of wind farms**				
Baileyville Wind Farm, LLC	Operation of wind farms	-	United States	97%
Windfarm 33, GmbH	Operation of wind farms	-	Germany	100%
Windfarm 35, GmbH	Operation of wind farms	-	Germany	100%
Windfarm Ganderkesee-Lemwerder GmbH	Operation of wind farms	-	Germany	100%
Windfarm 40, GmbH	Operation of wind farms	-	Germany	100%
Windfarm 41, GmbH	Operation of wind farms	-	Germany	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Sistemas Energéticos Balazote, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%
Sistemas Energéticos Jaralón, S.A. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos La Plana, S.A.	Operation of wind farms	Attest	Zaragoza	90%
Sistemas Energéticos Barandón, S.A.	Operation of wind farms	-	Valladolid	100%
Eoliki Peloponisou Lakka Energiaki A.E.	Operation of wind farms	EY	Greece	86%
Eoliki Attikis Kounus Energiaki A.E.	Operation of wind farms	EY	Greece	86%
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos de Tarifa, S.L. Unipersonal.	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Argañoso, S.L. Unipersonal.	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos del Sur, S.A.	Operation of wind farms	-	Sevilla	70%
Sistemas Energéticos Tomillo, S.A. Unipersonal.	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Sierra de Lourenza, S.A. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Edreira, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Campoliva, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%
Sistemas Energéticos Carril, S.L.Unipersonal	Operation of wind farms	-	Vizcaya	100%
Gesacisa Desarrolladora, S.A. de C.V.	Operation of wind farms	EY	Mexico	100%
Sistemas Energéticos Alcohujate, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%
SAS SEPE St. Loup de Saintonge	Operation of wind farms	-	France	100%
SAS SEPE Source de Sèves	Operation of wind farms	-	France	100%
SAS SEPE Dampierre Prudemanche	Operation of wind farms	EY	France	100%
SAS SEPE Germainville	Operation of wind farms	EY	France	100%
SAS SEPE Cote du Cerisat	Operation of wind farms	EY	France	100%
Sistemas Energéticos el Valle, S.L.	Operation of wind farms	-	Navarra	100%
Sistemas Energéticos Fonseca, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos del Umia, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Cuntis, S.A.	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos La Cámara, S.L.	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Operation of wind farms	-	Canarias	100%
Sistemas Energéticos Alto de Croa, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Boyal, S.L.	Operation of wind farms	-	Zaragoza	60%
Energiaki Arvanikos, EPE	Operation of wind farms	-	Greece	100%
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Operation of wind farms	-	Granada	83%
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Sistemas Energéticos Sierra de las Estancias, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Parco Eolico Tuturano, S.R.L.	Operation of wind farms	-	Italia	100%
Parco Eolico Banzi, S.R.L.	Operation of wind farms	-	Italia	100%
Osiek Sp. Z o.o	Operation of wind farms	-	Poland	100%
Sistemas Energéticos Monte Genaro, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Sierra del Carazo, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sellafirth Renewable Energy Park Ltd.	Operation of wind farms	-	United Kingdom	100%
Watford Gap Renewable Energy Park Ltd.	Operation of wind farms	-	United Kingdom	100%
Bargrennan Renewable Energy Park Limited	Operation of wind farms	-	United Kingdom	100%
Windfarm Ringstedt II, GmbH	Operation of wind farms	-	Germany	100%
Windfarm Gross Hasslow, GmbH	Operation of wind farms	-	Germany	100%
Sistemas Energéticos Islas Canarias, S.L.	Operation of wind farms	-	Canarias	100%
Ger Baraganu, S.R.L	Electric energy production	-	Romania	100%
Ger Independenta, S.R.L.	Electric energy production	-	Romania	100%
Ger Baneasa, S.R.L.	Electric energy production	-	Romania	100%
Lingbo SPW AB	Electric energy production	EY	Sweden	100%
Sistemas Energéticos Mansilla, S.L.	Electric energy production	-	Burgos	78%
Central Eolica de México I, S.A. de C.V.	Operation of wind farms	-	Mexico	100%
Energía Eólica de México	Operation of wind farms	-	Mexico	50%
Energía Renovable del Istmo	Operation of wind farms	-	Mexico	50%
Elliniki Eoliki Energiaki Kseropousi, S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki Pirgos, S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki Kopriseza, S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki LIKOURDI, S.A.	Operation of wind farms	-	Greece	86%
LICHNOWY Windfarm Sp. z o.o.	Operation of wind farms	-	Poland	100%
UJAZD Sp. z o.o.	Operation of wind farms	-	Poland	100%
Sistemas Energéticos Finca de San Juan, S.L.	Operation of wind farms	-	Zaragoza	100%
Whitehall Wind, LLC	Operation of wind farms	-	United States	97%
Fanbyn2 Vindenergi AB	Operation of wind farms	-	Sweden	100%
SEPE de la Brie des Etangs	Operation of wind farms	-	France	100%
SEPE de la Tête des Boucs	Operation of wind farms	-	France	100%
SEPE de Chepniers	Operation of wind farms	-	France	100%
SEPE de Orge et Ornain	Operation of wind farms	-	France	100%
SEPE de Bonboillon	Operation of wind farms	-	France	100%
SEPE de Souvans	Operation of wind farms	-	France	100%
SEPE de Sambourg	Operation of wind farms	-	France	100%
SEPE de Pringy	Operation of wind farms	-	France	100%
SEPE de Soudé	Operation of wind farms	-	France	100%
SEPE de Chaintrix Bierges	Operation of wind farms	-	France	100%
SEPE de Plancy l'Abbaye	Operation of wind farms	-	France	100%
SEPE de Coupetz	Operation of wind farms	-	France	100%
SEPE de Trépot	Operation of wind farms	-	France	100%
SEPE de Bouclans	Operation of wind farms	-	France	100%
SEPE de Savoisy	Operation of wind farms	-	France	100%
SEPE de La Loye	Operation of wind farms	-	France	100%
SEPE de Longueville sur Aube	Operation of wind farms	-	France	100%
SEPE de Sceaux	Operation of wind farms	-	France	100%
SEPE de Guerfand	Operation of wind farms	-	France	100%
SEPE d'Orchamps	Operation of wind farms	-	France	100%
SEPE de Vaudrey	Operation of wind farms	-	France	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
SEPE de Pouilly-sur-Vingeanne	Operation of wind farms	-	France	100%
SEPE de Mantoche	Operation of wind farms	-	France	100%
SEPE de Vernierfontaine	Operation of wind farms	-	France	100%
SEPE de Broyes	Operation of wind farms	-	France	100%
SEPE de Saint-Lumier en Champagne	Operation of wind farms	-	France	100%
SEPE de Songy	Operation of wind farms	-	France	100%
SEPE de Margny	Operation of wind farms	-	France	100%
SEPE de Saint Bon	Operation of wind farms	-	France	100%
SEPE de Cernon	Operation of wind farms	-	France	100%
SEPE de Champsevraine	Operation of wind farms	-	France	100%
SEPE de Romigny	Operation of wind farms	-	France	100%
SEPE de Sommesous	Operation of wind farms	-	France	100%
SEPE de Clamanges	Operation of wind farms	-	France	100%
SEPE de Saint Amand	Operation of wind farms	-	France	100%
SEPE de Landresse	Operation of wind farms	-	France	100%
SEPE de Mailly-le-Camp	Operation of wind farms	-	France	100%
Lindomberget Vindenergi AB	Operation of wind farms	-	France	100%
Smardzewo Windfarm Sp. z o.o	Operation of wind farms	-	France	100%
A.2 Manufacturing of wind turbines				
Gamesa Eólica, S.L. Unipersonal	Wind-powered facilities	EY	Navarra	100%
Gamesa Innovation & Technology, S.L. Unipersonal	Manufacture of moulds, blades and provision of central services (engineering)	EY	Navarra	100%
Estructuras Metálicas Singulares, S.A.	Manufacture of wind generator towers	EY	Navarra	100%
Gamesa Wind, GmbH	Wind-powered facilities	EY	Germany	100%
Gamesa Eólica Italia, S.R.L.	Wind-powered facilities	EY	Italy	100%
Gamesa Wind UK Limited	Manufacturing and holding company	EY	United Kingdom	100%
Gamesa Lanka Private Limited	Manufacturing and holding company	EY	Sri Lanka	100%
Gamesa Singapore Private Limited	Manufacturing and holding company	EY	Singapur	100%
Gesa Eólica Honduras, S.A.	Manufacturing and holding company	-	Honduras	100%
Gamesa Eólica VE, C.A.	Manufacturing and holding company	-	Venezuela	100%
Gamesa Finland OY	Manufacturing and holding company	-	Finland	100%
Servicios Eólicos Globales, S.R.L. de C.V.	Manufacturing and holding company	-	Mexico	100%
Gamesa Mauritania SARL	Manufacturing and holding company	-	Mauritius	100%
Gamesa Ukraine LLC	Manufacturing and holding company	-	Ukraine	100%
Gamesa Uruguay S.R.L	Wind-powered facilities	-	Uruguay	100%
Gamesa Eólica Nicaragua, S.A.	Wind-powered facilities	-	Nicaragua	100%
Gamesa Kenya Limited, S.L.	Wind-powered facilities	-	Kenya	100%
Gamesa Puerto Rico, C.R.L.	Wind-powered facilities	-	Puerto Rico	100%
Gamesa Belgium,S.R.L	Wind-powered facilities	EY	Belgium	100%
Gamesa Israel Ltd.	Wind-powered facilities	EY	Israel	100%
Gamesa Mauritius Ltd.	Wind-powered facilities	EY	Mauritius	100%
B9 Energy O&M Limited	Wind-powered facilities	EY	United Kingdom	100%
RSR Power Private Limited	Manufacturing and holding company	-	India	100%
Rajgarh Windpark Private Limited	Manufacturing and holding company	-	India	51%
Gamesa Energia Portugal	Wind-powered facilities	-	Portugal	100%
Gamesa Renewable Private Ltd	Wind-powered facilities	EY	India	100%
Gamesa Blade Tianjin Co. Ltd.	Design, manufacture and assembly of blades	EY	China	100%
Gamesa (Beijing) Wind Energy System Development Co. Ltd.	Manufacture of wind components and maintenance of wind farms	EY	China	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Gamesa Wind Tianjin Co. Ltd.	Manufacture of wind components	EY	China	100%
Gamesa Trading Co. Ltd.	Raw material trader	EY	China	100%
Gamesa Cyprus Limited	Manufacturing and holding company	-	Cyprus	100%
Gamesa New Zeland Limited	Manufacturing and holding company	-	Nueva Zealand	100%
Gamesa Wind Bulgaria, EOOD	Fabricación, construcción y explotación de parques eólicos	EY	Bulgaria	100%
Gamesa Eolica France, S.A.R.L.	Instalaciones eólicas	EY	France	100%
Gamesa Electric, S.A. Unipersonal	Manufacture and sale of electronic equipment	EY	Vizcaya	100%
Gamesa Wind South Africa PTY Ltd.	Manufacturing and holding company	-	South Africa	100%
Gamesa Australia PTY, Ltd.	Manufacturing and holding company	-	Australia	100%
Gamesa Chile SpA	Manufacturing and holding company	-	Chile	100%
Gamesa Dominicana, S.A.S.	Manufacturing and holding company	EY	Dominican Republic	100%
Gamesa Energy Transmission, S.A. Unipersonal	Manufacture of wind components	EY	Vizcaya	100%
Gesa Eólica Mexico, SA de CV	Wind-powered facilities	EY	Mexico	100%
Gamesa Energía Polska Sp zoo	Wind-powered facilities	-	Poland	100%
Parque Eólico Dos Picos, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Gamesa Morocco, SARL	Wind-powered facilities	-	Morocco	100%
Gamesa Wind Energy Services, Ltd	Manufacturing and holding company	-	Turkey	100%
Gamesa Eólica Costa Rica, S.R.L.	Manufacturing and holding company	-	Costa Rica	100%
Gamesa Wind Sweden, AB	Manufacturing and holding company	EY	Sweden	100%
Gamesa Japan Kabushiki Kaisha	Manufacturing and holding company	-	Japan	100%
Gamesa Wind Hungary KTF	Manufacturing and holding company	EY	Hungary	100%
Gamesa Eólica Greece E.P.E	Manufacturing and holding company	-	Greece	100%
Jilin Gamesa Wind Co., Ltd.	Manufacturing and holding company	EY	China	100%
Inner Mongolia Gamesa Wind Co.,Ltda.	Manufacturing and holding company	EY	Mongolia	100%
Gamesa Ireland Limited	Manufacturing and holding company	EY	Ireland	100%
GM Navarra Wind Energy Private Limited	Manufacturing and holding company	-	India	100%
Gamesa Canada, ULC	Manufacturing and holding company	-	Canada	100%
Gamesa Azerbaijan, LLC	Manufacturing and holding company	-	Azerbaijan	100%
Gamesa Eólica Brasil, Ltd.	Management of electricity facilities	-	Brazil	100%
Gamesa Latam, S.L.U.	Manufacturing and holding company	EY	Spain	100%
Gamesa Apac, S.L.U.	Manufacturing and holding company	EY	Spain	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	Manufacturing and holding company	EY	China	100%
Gamesa Thailand Co., Ltd	Manufacturing and holding company	EY	Thailand	100%
B) GAMESA TECHNOLOGY CORPORATION GROUP				
Gamesa Technology Corporation, Inc	Administrative management services	EY	United States	100%
Gamesa Wind US, LLC	Maintenance services of wind farms	EY	United States	100%
Gamesa Wind, PA, LLC	Manufacture and assembly of wind generators	EY	United States	100%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Cedar Cap Wind, LLC	Operation of wind farms	-	United States	100%
Crescent Ridge II, LLC	Operation of wind farms	-	United States	100%
Diversified Energy Transmission, LLC	Operation of wind farms	-	United States	100%
Mahantango Wind, LLC	Operation of wind farms	-	United States	100%
Pocahontas Wind, LLC	Operation of wind farms	-	United States	100%
Muskegon Wind, LLC	Operation of wind farms	-	United States	100%
Pocahontas Prairie Wind Holding , LLC	Operation of wind farms	-	United States	100%
C) OTHERS				
International Wind Farm Services, S.A.U	Promotion of companies	-	Spain	100%
Gamesa Financiación, S.A. Unipersonal	Promotion of companies	-	Spain	100%
9Ren España, S.L.	Solar energy	-	Spain	100%
Convertidor Solar G.F. Uno, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar G.F. Dos, S.L.U.	Solar energy	-	Spain	100%
Aljaraque Solar, S.L.	Solar energy	-	Spain	100%
Convertidor Solar G.F. Tres, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Uno, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Ciento Veintisiete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Doscientos Noventa y Siete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Doscientos Noventa y Nueve, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Diecisiete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Dieciocho, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Diecinueve, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Veinte, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Sesenta y Siete, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U.	Solar energy	-	Spain	100%
Convertidor Solar Trescientos Setenta, S.L.U.	Solar energy	-	Spain	100%
9REN Services Italia, s.r.l.	Solar energy	-	Italy	100%
9REN Israel Ltd.	Solar energy	-	Israel	100%
D) COMPANIES ACCOUNTED BY EQUITY METHOD				
Windar Renovables, S.L.	Holding Company of the tower manufacturing companies	PWC	Asturias	32%
Windar Logistic, S.L.	Manufacturing and holding company	PWC	Jaén	32%
Tadarsa Eólica	Manufacturing and holding company	PWC	Avilés	32%
Windar Wind Services, SL.Unipersonal	Manufacturing and holding company	PWC	España	32%
Windar Renewable Energy Private Ltd	Manufacturing and holding company	PWC	India	32%
Windar Offshore, S.L	Manufacturing and holding company	PWC	Avilés	32%
Apoyos Metálicos, S.A.	Manufacturing and holding company	PWC	Navarrra	32%
Torres Eólicas do Brasil Ltda	Manufacturing and holding company	PWC	Brazil	32%
AEMSA Santana	Manufacturing and holding company	PWC	Jaén	32%
Energías Renovables San Adrián de Juarros, S.A.	Development and Operation of wind farms	-	Burgos	45%

COMPANIES	BUSINESS LINE	AUDITOR	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Nuevas Estrategias de Mantenimiento, S.L.	Design, manufacturing, development and commercialization of technological solutions and engineering	Deloitte	Spain	50%
Windkraft Trinnwillershagen Entwicklungsgesellschaft, GmbH	Development of wind farms	-	Germany	50%
Sistems Electrics Espluga, S.A.	Operation of wind farms	-	Barcelona	50%
Kintech Santalpur Windpark Private Limited	Manufacturing and holding company	-	India	49%
Baja Wind Llc	Manufacturing and holding company	-	United States	50%
ADWEN Offshore SL	Offshore business	EY	Spain	50%
SSEE Arinaga, SA	Offshore business	-	Spain	50%
ADWEN GmbH	Offshore business	EY	Germany	50%
ADWEN BLADES GmbH	Offshore business	EY	Germany	50%
ADWEN UK Ltd.	Offshore business	EY	United Kingdom	50%
ADWEN France	Offshore business	EY	France	50%
ADWEN Verwaltungs GmbH	Offshore business	-	Germany	50%
AD 8MW GmbH Co.& KG	Offshore business	-	Germany	50%

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

HEREBY CERTIFY:

That the text of the consolidated annual accounts for 2016 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., authorised for issue by the Board of Directors at its meeting held on February 22, 2017, is the content of the preceding 100 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

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

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

José María Aldecoa Sagastasoloa
Member of the Board of Directors

Francisco Javier Villalba Sánchez
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Gerardo Codes Calatrava
Member of the Board of Directors

Zamudio, February 22, 2017. In witness whereof

Approval of the Chairman

Ignacio Martín San Vicente
Chairman and CEO

Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors