

1. COMPANY'S EVOLUTION DURING THE YEAR

AN EXTRAORDINARY YEAR IN WHICH GAMESA BEATS ITS GUIDANCE AND CONSOLIDATES THE FOUNDATIONS OF ITS LONG-TERM STRATEGY.

Gamesa Corporación Tecnológicaⁱ ended 2016 with record orders, sales, profitability and cash flow generation, having beaten its guidance for the year — even after upgrading it twice.

Strong commercial activity, the result of a growth-oriented competitive position, resulted in 1,386 MWⁱⁱ of new orders in Q4, 33% more than in the same period of 2015, which raised order intake in the last twelve months to 4,687 MW (+21% y/y). The order backlog stood at 3,552 MW (+11% y/y) at the end of the year. This strong commercial performance provides a high degree of visibility to this year's guidance (c. 5,000 MWe). Gamesa begins 2017 with orders covering 63% of its projected salesⁱⁱⁱ, similar to the position at the beginning of 2016.

Revenues increased by 32% in 2016, to €4,612 billion. EBIT amounted to €477 million (+48% y/y), and the EBIT margin was 10.4%, 1.1 percentage points higher than in 2015. Finally, net profit rose by 77% y/y, to €301 million. Recognition of Adwen reduced 2016 net profit by €25 million.

Higher profitability together with focused investment in working capital, which declined by €27 million to -4.9%^{iv} of revenues, and in capex, which amounted to €211 million, enabled Gamesa to achieve 30% ROCE and €423 million net free cash flow while maintaining its commitment to a sound balance sheet and ending the year with a net cash position of €682 million.

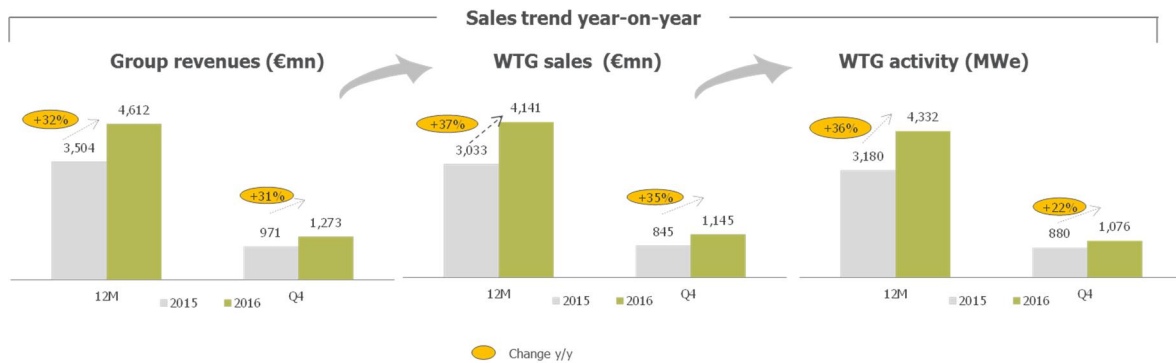
Gamesa is also advancing with its long-term value-creation strategy, having signed an agreement, approved by its shareholders on 25 October, to merge with Siemens Wind Power.

Main consolidated figures for 2016

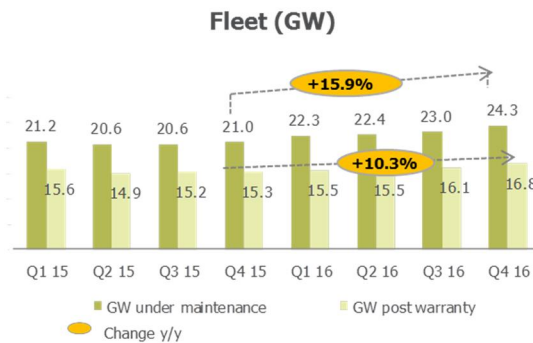
- Revenues: €4,612 million (+31.6% y/y)
- EBIT: €477 million (+47.9% y/y)
- Net profit: €301 million (+77.0% y/y)
- NFD (Cash)^v: -€682 million
- MWe sold: 4,332 MWe (+36.2% y/y)
- Firm order intake: 4,687 MW^{vi} (+20.7% vs. 2015)

Gamesa Corporación Tecnológica ended 2016 with €4,612 million in revenues, 32% more than in 2015, as a result of strong growth in wind turbine manufacturing and sales. At constant exchange rates, revenues increased by 38% y/y to €4,818 million.

Revenues in the Wind Turbine Generator (WTG) division increased by 37% y/y, to €4,141 million, due to growth in volume to 4,332 MWe, 36% more than in 2015. That growth was distributed over practically all regions: Europe/RoW, Latin America, the US and India. APAC (inc. China) was the only exception, due mainly to contraction of the Chinese market, where the pace of installations fell from 30.5 GW in 2015 to 23.3 GW in 2016, according to the latest figures from the Global Wind Energy Council (GWEC)^{vii}.



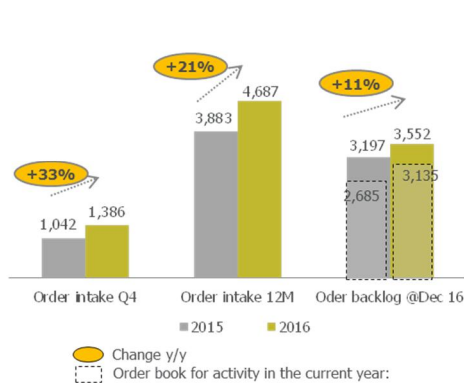
O&M services revenues amounted to €471 million, i.e. stable in year-on-year terms and in line with expectations for 2016. The rising trend in the total fleet under maintenance and the post-warranty fleet was confirmed in 2016: +16% (to 24,331 MW) and +10% y/y (to 16,827 MW), respectively. This growth was driven by expansion of the fleet in emerging markets, as envisaged in the business plan 15-17E, and by an improvement in the post-warranty renewal rate.



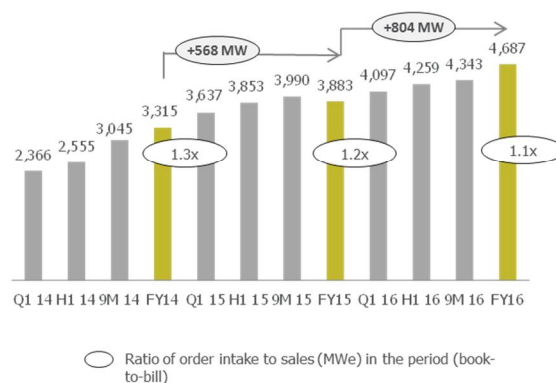
Growth in sales volume in 2016 was the result of the company's strong competitive positioning and its presence in markets with above-average growth rates. Gamesa's strong competitive position is supported not only by a diversified geographic footprint (55 countries) but also by an extensive customer base, a portfolio of products and services focused on maximising the return on wind assets, and a presence throughout the wind value chain. In a year in which the pace of installations ex-China came down from 32.5 GW in 2015 to 31.3 GW in 2016, according to the Global Wind Energy Council (GWEC)^{viii}, **Gamesa's strong performance enabled it to increase installations in the year by 27% to 4,262 MW, bringing its total accumulated figure to 38,875 MW by 2016 year-end, and positioning itself in the fourth position of the worldwide^{ix} wind ranking according to Bloomberg New Energy Finance.**

Also as a result of that positioning, the company signed **1,386 MW^x of orders in the fourth quarter, 33% more than in the same period of 2015** and equivalent to a **book-to-bill ratio^{xi} of 1.3**, exceeding the 1.2 ratio achieved in the same period of 2015. **Total order intake amounted to 4,687 MW in 2016**, equivalent to a **book-to-bill ratio of 1.1^{xii}**, and **the order backlog at 2016 year-end stood at 3,552 MW, 11% more than** at the end of 2015. Strong commercial performance in 2016 enabled Gamesa to commence 2017 with a high degree of visibility with regard to its volume guidance, having attained **63% coverage^{xiii} of the volume guided for 2017 (c. 5,000 MWe)**.

Strong commercial performance (MW)¹



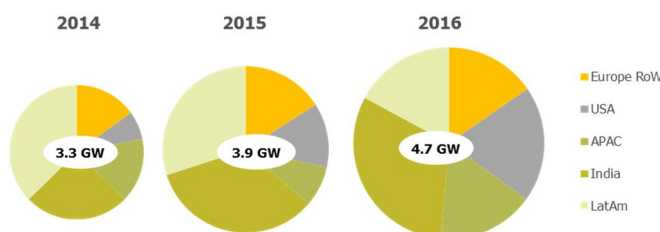
Order intake in the last twelve months (MW)¹



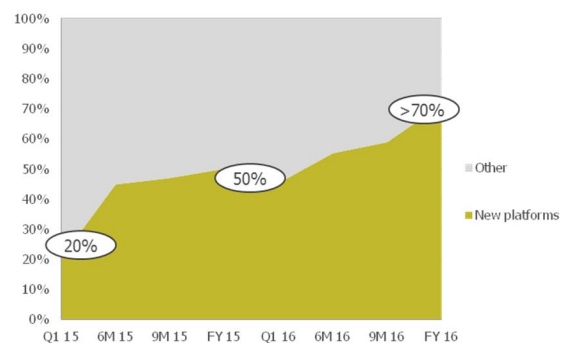
1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years (including 731 MW signed in Q4 16 and announced in Q1 17).

Order intake was very diversified in geographical terms, with a strong contribution from the new generations of products. In geographical terms, Gamesa retains its leading position in developing markets while strengthening its presence in mature markets. While India represents the highest volume orders in 2016, US and APAC, followed by Europe and Mexico lead the growth in new orders. As regards new product penetration, the G114 2.0-2.5 MW and G126 2.5MW platform's contribution rose from 50% of order intake in 2015 to 67% in 2016, and the first order for the G132-3.465 MW machine was signed in the fourth quarter of 2016, with the result that products with rotors larger than 100 metres accounted for over 70% of order intake in the year.

Geographical breakdown of order intake in 2014-16 (%)¹



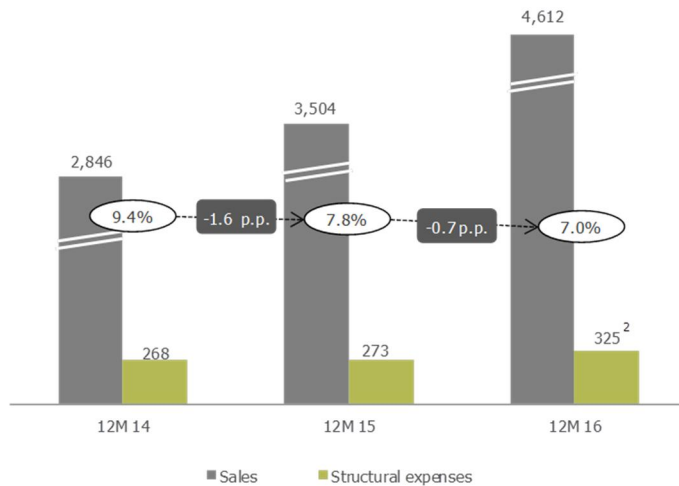
Product breakdown of order intake (%)¹



1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years (including 731 MW signed in Q4 16 and announced in Q1 17).

In this context of growing activity, Gamesa remains focused on controlling structural costs so as to maintain a low break-even point. As a result, structural expenses^{xiv} amounted to 7% of revenues in 2016, i.e. below the target set in the business plan for 2015-17E, and 0.7 percentage points lower than in 2015. It should be noted that structural expenses increased in 2016 to support the growth planned for 2017.

Revenues and structural expenses¹ (€mn)

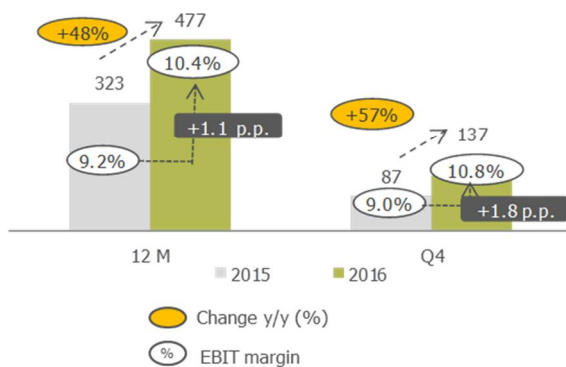


Goal of BP2015-17E:
Structural expenses¹/
revenues <8% in 2017

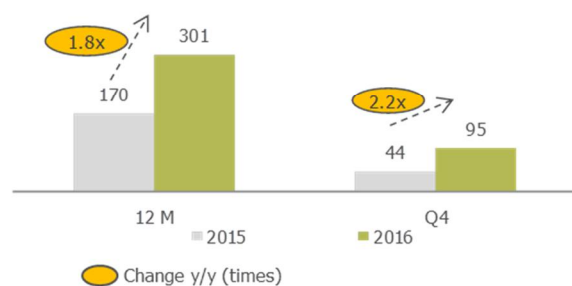
- 1. Structural expenses with a cash impact (excluding D&A).
- 2. Structural expenses excluding €5.3mn in expenses relating solely to the merger.

Control of fixed costs, together with ongoing optimisation of variable costs and quality excellence programmes, enabled Gamesa to offset a lower relative contribution to group revenues from O&M (with returns in excess of the manufacturing business) and steadily increase total operating profitability. Meanwhile, performance by the currencies in which Gamesa operates had a negative but limited impact of 0.1 percentage points, in line with the 2016 guidance (± 0.5 p.p.). **As a result, Gamesa ended 2016 with an EBIT margin of 10.4%**, 1.1 percentage points higher than in 2015, while **EBIT amounted to €477 million 48% more than in 2015**.

EBIT (€mn)

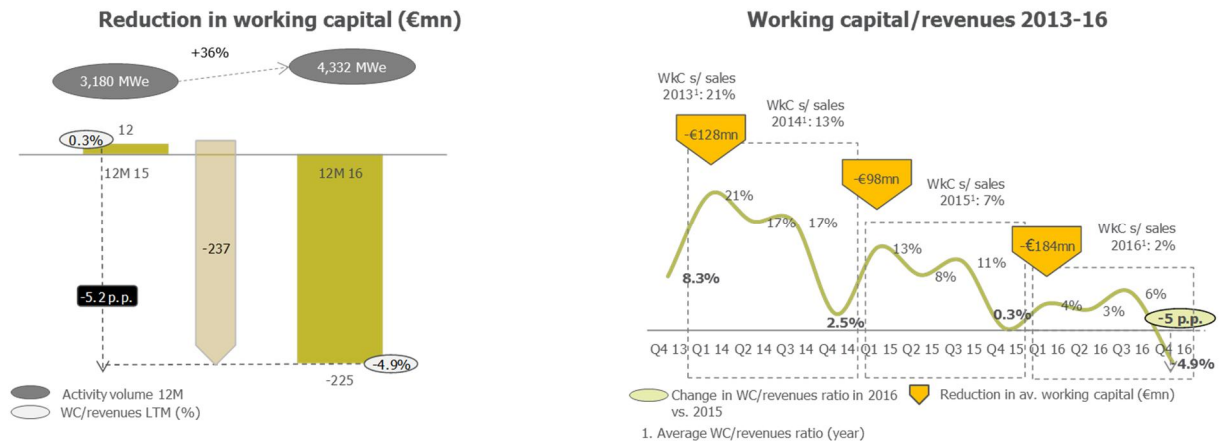


Net profit (€mn)



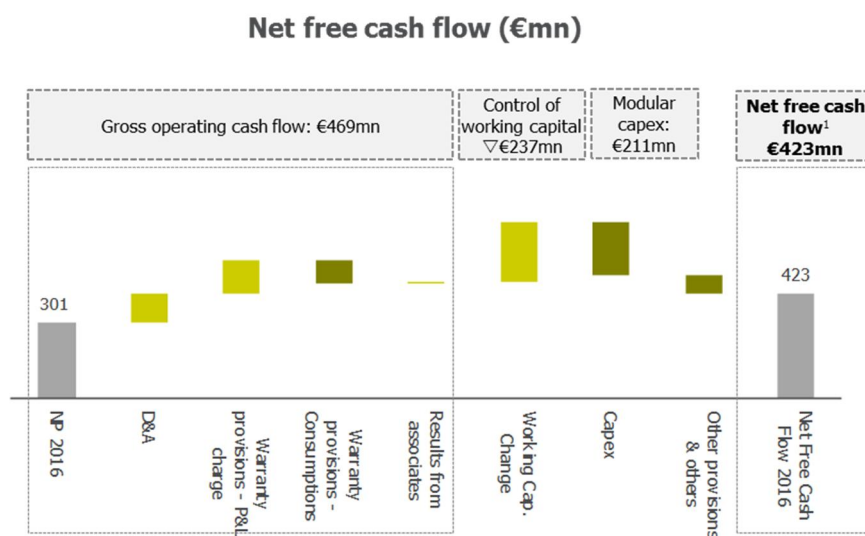
Growth in volume and revenues and rising profitability enabled **Gamesa to increase net profit by 77% in 2016, to €301 million**. Adwen (50% integrated in 2016 by the equity method) has had a negative impact in the amount of €25 million in 2016 and €4 million in 2015^{xv}.

In this context of strong growth in activity and profitability, **Gamesa continues to exert strict control over working capital, which stood at -€225 million at 2016 year-end, equivalent to -4.9% of revenues, i.e. 5 percentage points lower than in 2015**. Average working capital has been reduced by €184 million in the last twelve months, to 1.7% of revenues, vs. 7.5% in 2015.

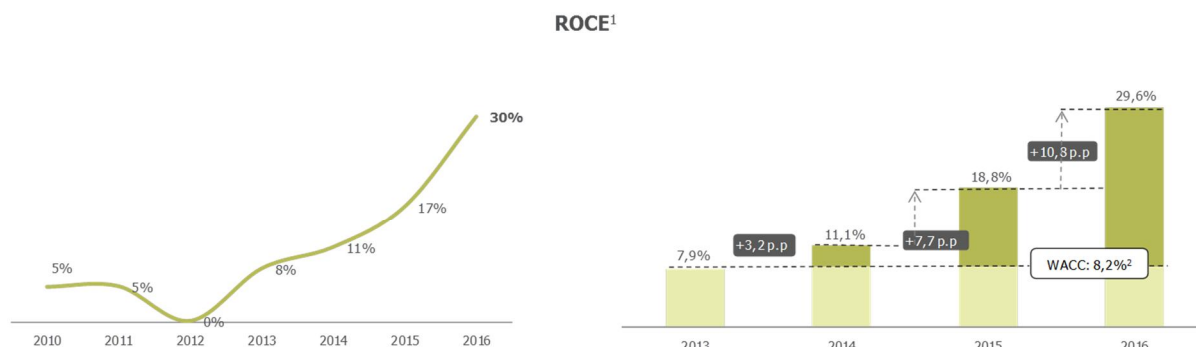


Applying a modular capex policy tailored to growth needs, **Gamesa invested €211 million in 2016**, i.e. 4.6%^{xvi} of revenues LTM, in line with the guidance for the year (4%-5% of revenues). Investments in the year were focused on new products (blade moulds and construction elements, plus appropriate logistics) in the regions in which Gamesa operates.

This control of capex and working capital in a context of profitable growth enabled **Gamesa to end 2016 with record net free cash flow — €423 million, i.e. 2.3 times the 2015 figure — and a net cash position of €682 million on the balance sheet**, in line with the company's goal of achieving a sound financial position.

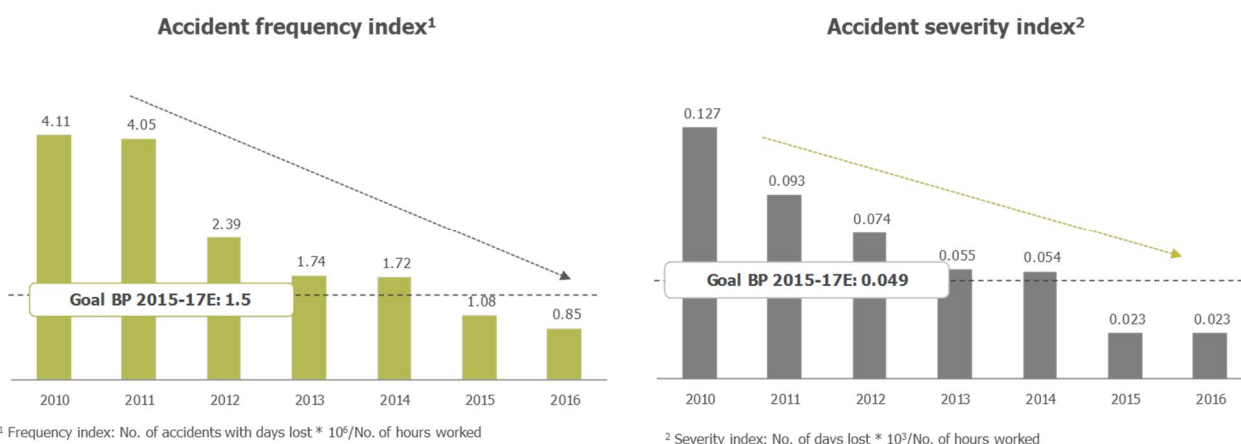


The combination of profitable growth and control of capex and working capital enables Gamesa to continue fulfilling its commitment to creating shareholder value, with a **ROCE of 30%**, 11 points more than in 2015.



1. ROCE: LTM EBIT*(1-t)/average capital employed. Average capital employed is calculated as the arithmetic mean of capital employed between the beginning of the current year and the end of the period. "t" is the estimated income tax rate for the current year (28% in 2016). Detailed performance measures' definitions can be found in the appendix of the earnings release.
2. Analysts' average WACC: 8,2%

In the context of fulfilling its guidance and steadily improving performance, Gamesa also met its goals in the area of workplace health and safety, continuing to improve accident frequency and severity indices ahead of the goals set for the end of the business plan.



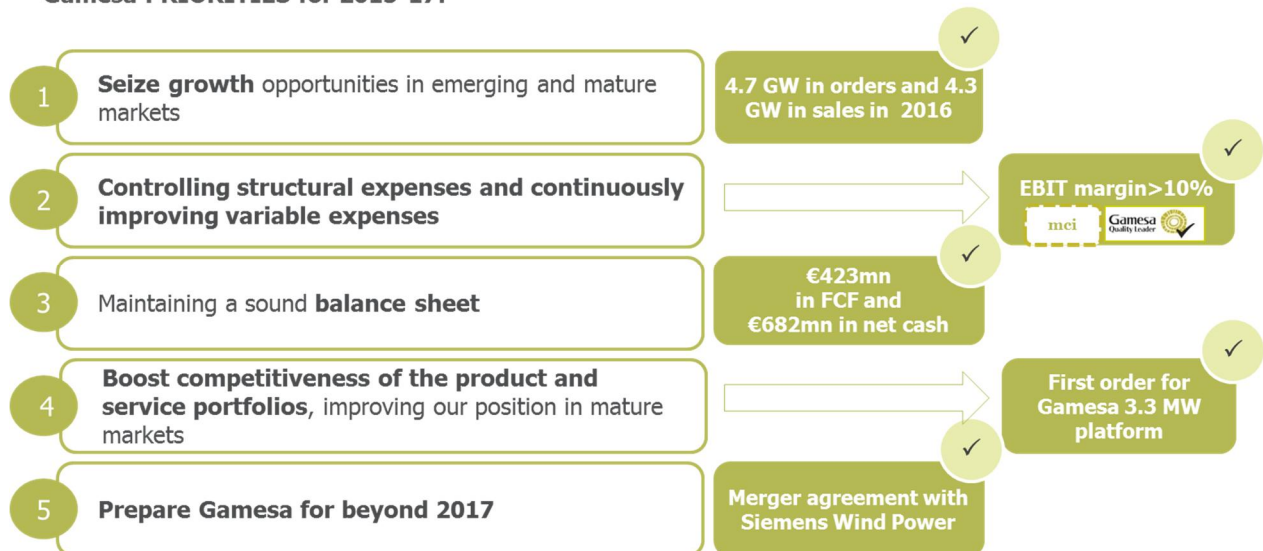
Accordingly, financial performance in 2016 exceeded the guidance, even after the latter had been upgraded twice during the year.

	Guidance 2016		Upgrade July 2016		Upgrade Nov. 2016		12M 2016	
Volume (MWe)	>3,800	↑	≥4,000	↑	≥4,300		4,332	✓✓
EBIT	> 400	↑	≥430	↑	450-470		477	✓✓
EBIT Margin	≥9.0%	↑	≥9.5%	↑	c.10.0%		10.4%	✓✓
Working cap. o/Sales	≤2.5%		=		=		-4.9%	✓✓
Capex o/ sales	4%-5%		=		=		4.6%	✓
ROCE	Growing y/y		=		=		30%	✓✓

In addition to surpassing its financial goals for the year, **during 2016 Gamesa made clear progress with implementing its long-term (2017+) strategy by reaching an agreement to merge with Siemens Wind Power.** This merger is underpinned by a sound, strategic rationale and will combine **two leading companies that are highly complementary** in terms of markets, businesses, customers, product portfolios and operational and management capabilities. The merged company will be in a position to offer optimal CoE to its customers and to maintain a value creation proposition for its other stakeholders (shareholders, employees, suppliers and the communities where it operates) that is sustainable over the medium and long term. The deal was presented to the financial markets in the second quarter of 2016 and **it was approved by Gamesa's shareholders at an extraordinary General Meeting on 25 October, with 99.75% of the capital in attendance voting in favour.** At the date of this report, the merger had been cleared by Spain's National Securities Market Commission and all the relevant competition authorities except that of the European Union.

Therefore, it can be concluded that, **in 2016, for the second time, Gamesa fulfilled the objectives of its business plan 2015-17 ahead of schedule,** since it exceeded the 2017 financial and strategic targets in 2016.

Gamesa PRIORITIES for 2015-17:



Main factors
Activity

In 2016, Gamesa sold 4,332 MWe, 36% more than in 2015. This trend was driven mainly by India, Latin America, Europe & RoW, and the US; the principal customer categories were electric utilities (54% of the total) and IPPs (35%).

	2015	2016	Chg.
WTG sold (MWe)	3,180	4,332	36,2%

Geographical breakdown of wind turbine sales (MWe) (%)	2015	2016
USA	11%	12%
APAC	15%	9%
India	29%	38%
Latin America	28%	24%
Europe and RoW	16%	17%
TOTAL	100%	100%

Activity in 2016 was concentrated in the Gamesa 2.0 MW segment, which accounted for 98% of total MW sold. The Gamesa G114 2.0 MW - 2.5 MW platform accounted for 55% of activity in the period, compared with 24% in 2015, evidencing the new platforms' growing importance. Gamesa 5.0 MW platform accounted for 1% of MWe sold in 2016.

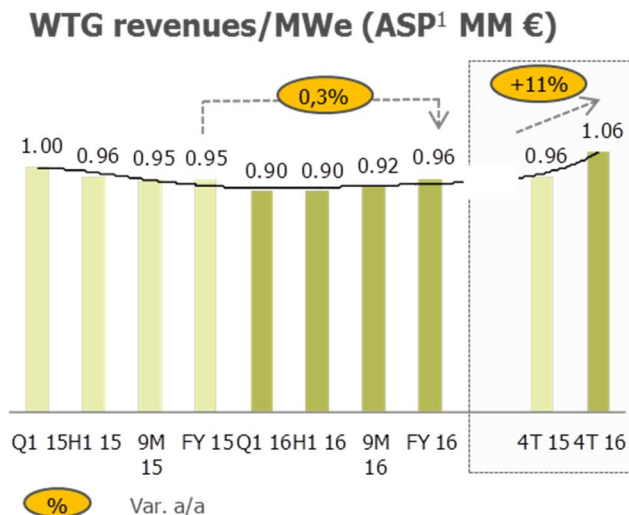
In the services division, Gamesa had 24,311 MW under operation and maintenance, 16% more than at the end of 2015. Growth in the fleet under maintenance came mainly from emerging markets India and Brazil, which offset a decline in mature markets. The year end post-warranty fleet under maintenance increased by 10% year-on-year to 17 GW.

	2015	2016	Chg.
MW under operation and maintenance at end of period	20,973	24,311	15,9%

Profit & Loss

Revenues amounted to €4,612 million in 2016, 32% more than in 2015.

This growth was due primarily to sales in the WTG division, which grew by 37% y/y thanks to a 36% increase in activity volume with respect to 2015. As projected at the beginning of the year, average revenues per MWe manufactured were stable in year-on-year terms. Sales of newer products, with larger rotors and taller towers, offset the negative exchange rate effect, which reached 5% by year-end, mainly as a result of depreciation of most of the emerging market currencies in which Gamesa operates. The assembly business had a varying impact on average revenues: it was negative in the first half of the year, when there was very little assembly work, and positive in the second half, when assembly work recovered. Specifically, in the first half only 0.54 MW were assembled per MWe sold, whereas the figures matched in the same period of 2015; in contrast, during the second half of the year, assembly work amounted to 1.4 MW per MWe sold, contrasting with 1.1 MW in the same period of 2015. Overall, 4,262 MW were assembled in 2016, a 27% increase year-on-year. In the WTG division, revenues per MWe sold are affected by many factors, including project scope, rotor size, tower height, geography, activity scope, gearbox, etc.; accordingly, this variable is not indicative of the level or trend of profitability.



Service revenues were stable in year-on-year terms, amounting to €471 million, in line with projections for the year. That stability is a reflection of pressure on prices and a reduction in contract scope; these trends are normal in the services business in mature markets. To offset the negative impact of these trends, Gamesa has implemented an operational strategy to ensure absolute profitable growth in the services division, even in a situation of flat sales, as was the case in 2016. The plan is based on three main vectors: cost-cutting programmes, commercialisation of value-added services in mature markets, and signing longer contracts in emerging markets. Growth in the fleet under maintenance and the post-warranty fleet, an improvement of nearly 30 points in the renewal rate, from 40% in 2015 to 67% in 2016, and expansion of the order book assure a return to growth in sales in 2017, fulfilling the objectives for the division in the BP2015-17E: accumulated growth of ≥20% in revenues in 2014-17, and an EBIT margin of ≥13%. The fleet under maintenance increased by 16% y/y in the last twelve months, to 24,311 MW, while the post-warranty fleet expanded by 10% in the same period, to 16,827 MW. Fleet growth is concentrated mainly in emerging markets. In line with growth in the fleet under maintenance, the services backlog has also expanded, reaching €2,412 million at 2016 year-end, 11.5% more than a year earlier.

At constant exchange rates, Group revenues would have amounted to €4,818 million, i.e. 38% more than in 2015.

In addition to attaining record revenues and commercial activity in the year, Gamesa also posted record EBIT: €477 million. The EBIT margin was 10.4%, 1,1 points more than in 2015. EBIT performance is attributable to:

- capital gains from the creation of the joint venture Adwen amounting to a positive €29mn (-0,8 p.p)
- the volume effect (+2.4 p.p.)
- contribution margin performance (+0.7 p.p.)
- fixed cost performance (-1.1 p.p.),
- currency performance (0.0 p.p.)

The improvement in the contribution margin in 2016 is linked to variable cost optimisation programmes and the favourable project scope, offsetting the adverse impact of the increase in fixed expenses needed to support growth (this increase includes an increase in depreciation and amortization charges in line with the increase in capex), and the lower contribution by O&M to total revenues (10% in 2016, vs. 13% in 2015).

Net financial expenses in the period amounted to €23 million (€10 million less than in 2015), while exchange losses amounted to €15 million, compared with exchange losses of €11 million in 2015, due to currency volatility in both periods. Financial expenses in 2016 included a negative €7 million impact from the estimates of scenarios that remain open after Areva exercised its put option to sell its Adwen stake to Gamesa in the context of the merger with Siemens Wind Power.

The tax expense amounted to €124.4 million, equivalent to a marginal rate of 28%, in line with 2015 and within the guidance range for the year (25%±3%).

As a result, **consolidated net profit totalled €301 million (€170 million in 2015).**

The impact of the integration of Adwen at 50% in the consolidated net profit (without any impact in free cash flow) amounted to -€25 million (-€4 million in 2015^{xvii}).

Balance sheet

As reflected by the main balance sheet indicators, **Gamesa maintained its commitment to a sound financial position in a context of rising activity, while reducing working capital by €237 million y/y to -€225 million at year-end, and achieving a net cash position of €682 million.**

	2015	2016
Working capital/Revenues	0.3%	-4.9%
ROCE	18.8%	29.6%

Consolidated Income Statement and Balance Sheet — Key Figures

<i>(€ million)</i>	2015	2016	Chg.
Revenues	3,504	4,612	+31.6%
EBIT	323	477	+47.9%
EBIT/Revenues (%)	9.2%	10.4%	+1.1pp
Profit (Loss)	170	301	+77.0%
NFD (Cash)	-301	-682	-381
Working capital	12	-225	-237
Capex	168	211	+43

In 2016, in line with the modular capex strategy presented in the business plan 2015-17, Gamesa invested €211 million in property, plant and equipment and intangible assets to cater for expected demand growth, new product launches and operation and maintenance services. In addition to R&D expenditure, Gamesa invested in logistics, tooling, and blade capacity — both new capacity and product replacement due to the introduction and strong penetration by the G114 (2 MW and 2.5 MW) and G126 (2.5 MW) generators — in all regions where it operates.

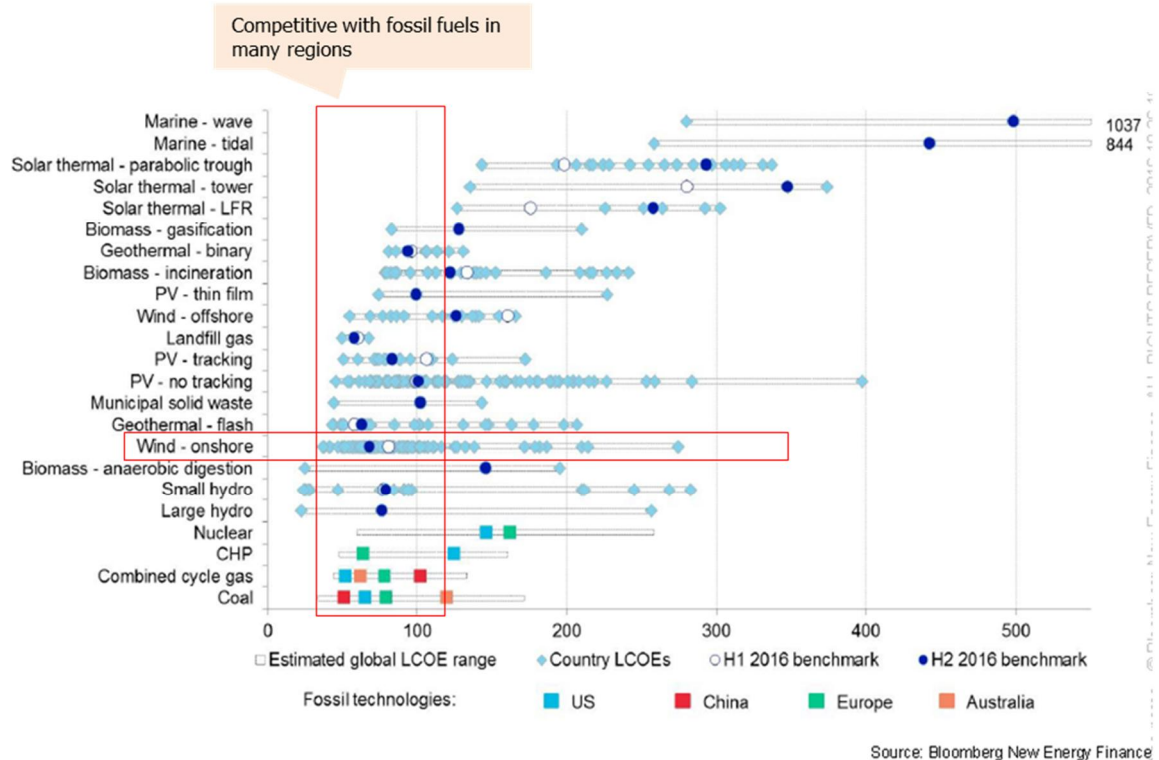
2. FORECASTED EVOLUTION

Positive demand prospects in the short and medium term^{xviii}

The growing number of countries that are committed to renewable energies as a means of combating climate change, and the increasing competitiveness of renewable energy sources, including wind, lay the foundations for strong demand prospects in the short, medium and long term.

The growing support for renewable energy sources was clearly reflected in the speed with which the Paris Agreement, signed by 195 countries on 12 December 2015, came into force (4 November 2016), while wind power's increasing competitiveness was evident during 2016 in the outcome of many electricity auctions in both emerging and mature countries. Those auctions show that wind energy is competitive with conventional sources in many regions (see chart below).

LCOE prospects H2 16 (Source: Bloomberg New Energy Finance (BNEF). USD/MWh)

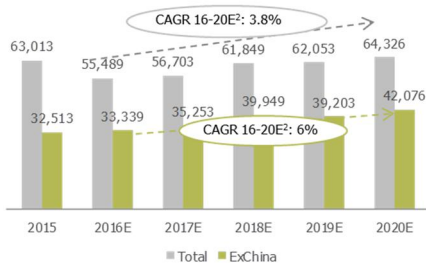


In terms of competitiveness^{xx}, **by 2027 it is estimated that new wind installations, which are already fully competitive in many countries, will be cheaper than coal- or gas-fired facilities in practically all geographies**, particularly if CO2 emission pricing is introduced, while **by 2040 the cost of energy for onshore wind will have declined by 41%**. That reduction will be due to a number of factors: falling equipment and development costs, low funding costs and, primarily, an increase in wind turbines' capacity factor.

In this context of growing governmental support and wind's greater competitiveness, long-term estimates^{xx} are that, **by 2040, "clean" (i.e. zero GHG) energy sources will account for 60% of total installed capacity**, up from 31% at the end of 2015, most of the new installed capacity being concentrated in developing (non-OECD) countries, with China and India accounting for the bulk of new installed capacity. In those countries, economic growth and electrification are the main drivers of growth in energy demand and investment in new generating capacity. In the period 2016E-2040E, it is estimated that **1,825 GW of wind capacity will be installed, i.e. investment totalling 3 trillion**.

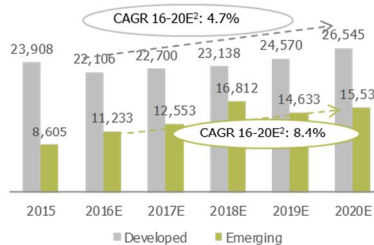
In the shorter term, and following the slight contraction in the pace of new wind installations worldwide (ex-China) in 2016, the short- and medium-term prospects are stable with respect to the projections released during the year, with emerging economies and offshore as the main growth engines. Emerging markets are expected to achieve an estimated 8.4% annual growth between 2016E and 2020E, while offshore will be the absolute leader in terms of expected annual growth: over 38% between 2016E and 2020E, with northern European countries (mainly Germany and the UK) and China to the fore.

Wind installations¹ 2015-2020E (MW)



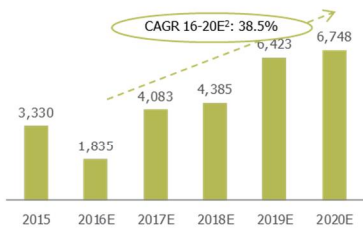
Source: BNEF and MAKE Q4 2016; GWEC 2015 figures

Wind installations¹ ex-China 2015-2020E (MW)



Source: BNEF and MAKE Q4 2016; GWEC 2015 figures

Offshore wind installations 2015-2020E (MW)



Source: BNEF and MAKE Q4 2016; GWEC 2015 figures

1. Includes onshore and offshore installations.

2. Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of publication of their reports, not on installations reported by GWEC on February 10. Based on GWEC reported numbers, installations in 2016 totalled 54.6 GW (31.3 GW ex-China). Outside China, 22.8 GW were installed in mature markets and 8.4 GW in emerging markets. Growth in mature markets includes growth coming from the offshore segment, which is concentrated mainly in Europe and China.

2017 Guidance^{xxi}: commitment to profitable growth

In this favourable demand context, Gamesa maintains its commitment to profitable growth in 2017, the goal being to sell around 5,000 MW of wind turbines and achieve €550 million in group EBIT (a 15% increase over the 2016 figures in both cases).

The sales volume commitment is supported by the order book at 31 December 2016, which already covered 63%^{xxii} of the committed volume. Though growth is expected in most regions, it will be led by the US and APAC, while India will continue to be the market with the largest single contribution to the company's top line in 2017.

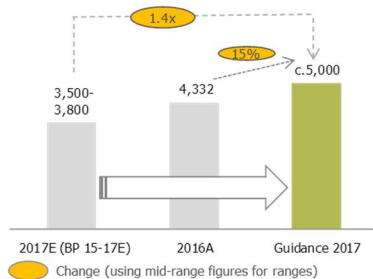
As well as growth by the Wind Turbine division, Gamesa maintains its commitment to the business plan for the Services unit, which is expected to resume revenue growth in 2017. This is already visible in the order backlog, which rose by 11% y/y, and in the recovery in the fleet under maintenance in 2016.

The commitment to increase operating profit to c. €550 million is supported by rising sales volumes, ongoing programmes to optimise variable costs, and strict control of structural costs, to offset pressure from a more competitive environment.

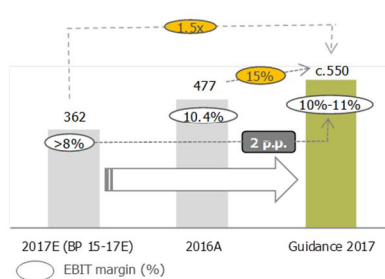
To achieve its projected growth, Gamesa maintains its modular capex strategy, the goal being for capex to be stable with respect to 2016 in relative terms: 4%-5% of revenues. The company also maintains its commitment to a sound balance sheet through strict control of working capital and upgrading previous years' targets so that working capital is about 0% of revenues. .

These objectives represent a 40-50% increase in the targets for sales and absolute EBIT with respect to the initial projections for this year in the BP2015-17.

Gamesa standalone: sales volume and guidance¹ (MWe)



Gamesa standalone: EBIT and EBIT margin performance and guidance¹ (€mn/%)



Gamesa Standalone: 2017 guidance	
Sales (MWe)	c. 5,000
EBIT (MM €)	c. 550
EBIT margin	10%-11%
Capex o/sales	4%-5%
Working Cap. o/sales	c.0%

1. At Jan-Feb. 17 average foreign currency exchange rates and using the same consolidation scope (i.e. with Adwen as equity-accounted)

Progress with the long-term value-creation strategy: Gamesa - Siemens Wind Power merger

Having secured its most immediate value-creation goals through its performance in 2016 and its commitments for 2017, Gamesa continues to advance with its strategy to create value beyond the current year and the business plan 2015-2017E, through the agreement to merge with Siemens Wind Power. The merger has already been approved by Gamesa's shareholders, Spain's National Securities Market Commission and several other competition authorities; at the date of this report, the only approval still pending was that of the European Union competition authorities, which is expected in the first quarter of 2017.

As a pre-requisite for completing the merger, Gamesa purchased Areva's 50% stake in Adwen, a subsidiary operating in the offshore segment. The acquisition was completed in January 2017, and Adwen will be fully consolidated by the merged company. Adwen has 630 MW in offshore wind farms under maintenance and is currently building a 350 MW wind farm in Germany (Wikinger). The company also has two product lines in the 5 MW and 8 MW categories (the latter under development), and a backlog of 1.5 GW in projects under the French auctions. Adwen obtained €248 million in revenues in 2016 and reported an operating loss of -€41 million, attributable to its current stage of development. At 31 December 2016, Adwen had €251 million in net debt and owed €238 million in loans to Areva.

TENTATIVE CALENDAR

Siemens Wind Power carve out commences	Immediately after signing	✓
Gamesa Shareholders' Meeting ¹	Oct. 2016	✓
Authorisation by CNMV	Q4 16	✓
Competition authorities' authorisation ²	Q1 17	
Merger effective date	Q2 2017	
Payment of the cash component	12 business days after the merger ⁴	

1. At the special Shareholders' Meeting, 99.75% of capital in attendance voted in favour.
2. At the date of this presentation, pending only EU approval.
3. The dividend will be paid within 12 business days after the effective date of the merger (EDM) to natural and legal persons who: (i) were shareholders of record of Gamesa with Iberclear at the end of the fifth stock market session following the EDM, and (ii) hold shares that were outstanding on the day before the EDM.

The merger agreement will create value for all stakeholders, not just by reaping synergies but also due to the enhanced competitive position in a changing market in which the cost of energy is increasingly important. The merged group will be larger, with a greater scope and more diverse, a stronger balance sheet and a more comprehensive product portfolio.

Conclusions

In a situation of stable demand, Gamesa reported strong earnings in 2016, with record order intake, revenues and profitability, exceeding its guidance for 2016 even after upgrading it on two occasions during the year.

The company's sound competitive position enabled it to end the year with **21% year-on-year growth in order intake, to 4,687 MW**, exceeding its guidance of 4 GW for the year, after signing 1,386 MW in orders in the fourth quarter, 33% more than in the same period of 2015. This growth was accompanied by a sizeable increase in geographical diversification. The **order backlog at the end of December 2016 stood at 3,552 MW, 11% more than a year earlier, which provides a high level of visibility on the growth targets for 2017.**

Revenues amounted to €4,612 million, 32% more than in 2015, or 38% more at constant exchange rates^{xxiii}. This increase was driven by higher sales volume in the Wind Turbine division (+36%) due to its strong competitive position and presence in geographies where the wind market is expanding faster than the global average. As a result, **Gamesa installed 4,262 MW, 27% more than in 2015, in a context of a slight decline in worldwide installations excluding China, reaching number 4 position in the global wind ranking published by Bloomberg New Energy Finance.**

In addition to increasing sales, Gamesa also enhanced profitability in 2016. **EBIT amounted to €477 million, 48% more than in 2015, and the EBIT margin was 10.4%, 1.1 percentage points more than in 2015. Net profit increased 1.8-fold to €301 million.**

In this context of strong growth of activity and revenues, Gamesa continues to prioritise a sound balance sheet by controlling both working capital and capex. Gamesa reduced working capital by €237 million year-on-year and improved the working capital/revenues ratio by over 5 percentage points, to -4.9%. This reduction in working capital, together with greater operating cash flow and capex planning tied to actual growth, **enabled Gamesa to end 2016 with €423 million in net free cash flow, 2.3 times the 2015 figure, and a net cash position of €682 million.**

The company is also making significant progress with its long-term strategy, which includes the merger with Siemens Wind Power, expected to be completed in the first quarter or beginning of the second quarter of 2017. At the date of this report, the merger had been approved by Gamesa's shareholders and cleared by Spain's National Securities Market Commission and it was only pending approval by the European Union competition authorities. **With this agreement, Gamesa enhances the visibility and sustainability of its value creation proposal to all its stakeholders for the medium and long term.**

As a result, Gamesa ended 2016 having achieved its goals one year ahead of schedule — not only its financial targets but also the strategic objectives set out in its business plan 2015-17.

Gamesa also maintains its commitment to profitable growth in 2017 with a plan to achieve double-digit growth — around 15% — with respect to 2016^{xxiv} in both sales volume (MWe) and operating profit (EBIT).

3. MAIN BUSINESS RISKS

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 Division and the business units coordinate the management and limitation of financial risks through the policies approved at the highest executive level, in accordance with the established rules, policies and procedures. The identification, assessment and hedging of financial risks are responsibility of each business unit, together with the Corporate Division.

The risk associated with changes in exchange rates assumed for GAMESA's transactions involve the purchase and sale of products and services relating to its activity that are denominated in various currencies.

In order to mitigate this risk, GAMESA has obtained financial hedging instruments from financial institutions.

4. USE OF FINANCIAL INSTRUMENTS

Gamesa Group uses financial hedges which allow the Group to mitigate risks involving exchange rates, interest rates, and equity volatility that could affect the Group estimated results based on estimates of expected transactions in its various areas of activity.

5. SUBSEQUENT EVENTS

See Note 38 of the Consolidated Financial Statements and Note 22 of the Individual Financial Statements.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

Technological development is established within a multi-year framework that is rolled out in the Annual Technological Development Plan, where activities and deliverables are established for each year, and to which a budget is finally assigned.

In 2016, the main increase in the the section “Research development costs” of the Intangible Assets was due to the development of Gamesa Innovation and Technology, S.L. of new wind turbine models and to the optimisation of the performance of their components amounting, in total for the entire Group, approximately €54,669 thousands (approximately €44,234 thousands in 2015).

7. TREASURY SHARE OPERATIONS

At December 31, 2016 Gamesa holds a total of 2,365,265 treasury shares representing 0.847% of share capital.

The total cost for these treasury shares amounts €46,897 thousands, each with a par value of €19,828.

A more detailed explanation of transactions involving treasury shares is set out in Note 18.E of the Notes to the Consolidated Financial Statements at December 31, 2016.

8. CAPITAL STRUCTURE

CAPITAL STRUCTURE, INCLUDING SECURITIES TRADED ON A COMMUNITY REGULATED MARKET, INDICATING, WHERE APPROPRIATE, THE DIFFERENT NATURE OF SHARES AND FOR EACH TYPE OF SHARES, THE RIGHTS AND OBLIGATIONS GRANTED AND PERCENTAGE OF CAPITAL REPRESENTED:

In accordance with Article 7 of the By-laws of Gamesa Corporación Tecnológica, S.A., in the wording approved on May 8, 2015 *“The share capital is FOURTY SEVEN MILLION FOUR HUNDRED SEVENTY FIVE THOUSAND SIX HUNDRED NINETY THREE EUROS AND SEVENTY-NINE CENTS (€47,475,693.79), represented by 279,268,787 ordinary shares of seventeen cents nominal value each, numbered consecutively from 1 to 279,268,787, comprising a single class and series, which are fully subscribed and paid.”*

SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information in the possession of GAMESA CORPORACION TECNOLOGICA, S.A. the capital structure at December 31, 2016 is as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Number of voting rights related to the execution of financial instruments	% total voting rights
IBERDROLA, S.A.	-	54,977,288	-	19.686%
NORGES BANK	8,958,027	-	-	3.208%
OZ MASTER FUND LTD	-	-	2.041%	2.041%
FIDELITY INTERNATIONAL LIMITED	-	2,967,105	-	1.062%

(*) Through:

Name of direct holder of the stake	Number of direct voting rights	% total voting rights
IBERDROLA PARTICIPACIONES, S.A.UNIPERSONAL	54,977,288	19.686%

9. RESTRICTIONS ON THE TRANSFER OF SHARES

There are no restrictions on the transfer of shares.

10. SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

See point 8.

11. RESTRICTIONS ON VOTING RIGHTS

There are no restrictions of any kind on voting rights.

12. SHAREHOLDER AGREEMENTS

In fulfilment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2, IBERDROLA, S.A. informed Gamesa Corporación Tecnológica, S.A. on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA, S.A. and Iberdrola Participaciones, S.A. (Sociedad Unipersonal), as shareholders (non-direct and direct, respectively) of Gamesa Corporación Tecnológica, S.A., on one hand, and Siemens AG, on the other hand. The content of the signed contract refers (i) to Gamesa in the context of a merging process of the wind energy businesses of Gamesa and Siemens AG (the "Merger"); and (ii) to the relationships as future shareholders of Gamesa after the Merger (the "Shareholders' agreement").

The Shareholders' agreement includes agreements which qualify it as a shareholder agreement in accordance with the terms of the Article 530 of the Corporate Enterprises Act, even though the effectiveness of some of those agreements are subjected to the achievement of the Merger.

13. REGULATIONS APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND AMENDMENT OF THE CORPORATE BY LAWS

Pursuant to the provisions of article 30 of the Gamesa CORPORACIÓN TECNOLÓGICA, S.A. Corporate By-laws, members of the Board of Directors are *“appointed by the General Meeting”* and *“should a vacancy arise during the term of office of a Director, the Board may appoint a shareholder to fill the vacancy until the first General Meeting is held”*, always in compliance with the provisions of the Spanish Capital Companies Act and the Corporate By-laws.

In accordance with the Article 13.2 of the Board of Directors Regulations candidatures for the office of Director submitted by the Board of Directors for deliberation by the Shareholders General Meeting and the appointment decisions made by the said body pursuant to the interim powers conferred by law on the said body shall be preceded by the corresponding proposal by a) the Appointments and Remuneration Committee in the case of independent Directors, or b) by a report by the said Committee in the case of all other categories of Directors. Article 13.3 of the Board of Directors Regulations provides that *“where the Board of Directors should reject the proposal or the report of the Appointments and Remuneration Committee, it must state its reasons for this and record the said reasons in the minutes.”*

Article 14 of the said Regulations provides that *“the Board of Directors and the Appointments and Remuneration Committee, within the scope of their powers, shall seek to ensure that the proposal and election of candidates corresponds to persons of renowned respectability, solvency, competence, and experience.*

In the case of Directors which are legal persons, the natural person who is to represent them in the exercise of the powers associated with the office of Director shall be subject to the same requirements of the prior paragraph.”

Finally, article 7.4 of the Appointments and Remuneration Committee Regulations makes it the responsibility of that *“to ensure that when filling vacancies on the Board of Directors, the selection procedures used are not subject to any implicit bias resulting in any discrimination of any kind.”*

With regard to the re-election of Directors, article 15 of the Board of Directors Regulations provides that *“any proposals for the re-election of Directors that the Board of Directors may decide to submit to the Shareholders General Meeting must be subject to a formal evaluation process under the terms provided by law. The agreement of the Board of Directors of sumitting the re-election of directors to the Shareholder General Meeting shall necessarily include a proposal or report issued by the Appointments and Remuneration Committee, while the one of the remain directors should have a prior favourable report by such Committee.*

The Directors that form part of the Appointments and Remunerations Committee must abstain from being involved with any deliberations and votes that involve themselves.

The re-election of a Director that takes part in a Committee or that practices and internal position in the Board of Directors or in any of its committees will determine its continuation in such position without the necessity of an express re-election and that does not affect the revocation power that corresponds to the Board of Directors.”

The dismissal of Directors is governed by article 16 of the Board of Directors Regulations, which provides that *“Directors shall cease to hold office upon the expiry of the term for which they were appointed without prejudice to the possibility of being re-elected, and upon a decision in this regard taken by the Shareholders General Meeting on the mention of the Board of Directors or of the shareholders in accordance with the terms provided by law.”*

The procedures and circumstances with regard to the dismissal shall be those laid down in the Spanish Capital Companies Act and in the Commercial Registry Regulations.

Pursuant to the provisions of Article 16.2 of the Board of Directors Regulations, *“Directors shall tender their resignation to the Board of Directors, and where the Board should consider it appropriate, shall step down following a report by the Appointments and Remuneration Committee in the following circumstances:*

- a) *In the case of Proprietary Directors where said Directors or the shareholders they represent should cease to hold a significant and stable shareholding in the Company, or where they said shareholders should revoke the representation conferred on the Director.*
- b) *In the case of executive Directors, when they cease the executive positions to which its appointment as Director is associated, and in any case, where the Board of Directors should consider this appropriate.*
- c) *In the case of non-executive Directors, where they should join the executive line of the Company or any of the Group companies.*
- d) *Where, for supervene in reason, they incur in any of the circumstances of disqualification or prohibition envisaged in the current regulations, in the Corporate By-laws, or in these Regulations.*
- e) *Where they are charged with an alleged criminal offense, or are served with notice that they are to be tried for any of the offenses listed in the provisions relating to disqualification from holding the office of director envisaged in the Spanish Capital Companies Act, or are the subject of disciplinary proceedings for a serious or very serious offense commenced by the regulatory authorities*
- f) *Where they should receive a serious reprimand from the Board of Directors, or should be punished for a serious or very serious offense by a public authority, for having infringed their duties as Directors.*
- g) *When their remaining on the Board may jeopardise the Company’s interests or when the reasons for which they were appointed no longer exist.*
- h) *Where, for reasons attributable to the Directors in their capacity as such, serious harm has been caused to the Company's standing, or they should lose the commercial and special respectability necessary in order to be a Director of the Company.”*

In accordance with points 3,4 and 5 of the quoted article *“in any of the indicated events in the prior section, the Board of Directors will require the Director to cease from its position and where appropriate, will propose its resignations to the General Meeting. As an exception, it will not be applicable the aforementioned in the resignations cases determined in the letters a), d), f) y g) when the Board of Directors estimates that are causes that justify the permanency of the Director, without prejudice to the effect that the new supervening circumstances may have on its mark.*

The Board of Directors will only be able to propose the resignation of an independent Director before the course of his mandate when it ends until fair cause, considered by the Board of Directors, on the motion of the Appointments and Remunerations Committee. Particularly, for having break the inherent duties of its positions or for having incurred in any circumstance provided in the law as incompatible for the entrance to that category.

The Directors that may resign from their position before the termination of their duty should send a letter to all the members of the Board of Directors explaining the reasons of the resignations”.

Rules applicable to the amendment of the Corporate By-laws

The amendment of the Gamesa Corporación Tecnológica, S.A. Corporate By-laws is governed by the provisions of Articles 285 to 290 of the Spanish Capital Companies Act, approved by Royal Legislative Decree 1/2010 of July 2 (the "Capital Companies Act").

Additionally, the modification of the By-laws is governed by the provisions considered in the By-Laws and in the Shareholder General Meeting Regulations of the Company.

In this regard, about its modification, Articles 14. h) of the By-Laws and 6.1 h) of the Shareholder General Meeting Regulations claim that that corresponds to the Shareholder General Meeting of Gamesa.

Likewise, articles 18 of the By-Laws and 26 of the Shareholder General Meeting Regulations include quorum requirements for the adoption of agreements by the Shareholder General Meeting. On the other hand, Articles 26 of By-Laws and 32 of the Shareholder General Meeting Regulations consider the necessary majorities for these effects.

Furthermore, article 31.4 of Shareholder Regulations indicates that the Board of Directors according to what is provided by law will prepare proposals for different resolutions for those matters that are substantially independent, so that shareholders may separately exercise their voting preferences. This rule is particularly applicable in the case of amendments to the By-laws, with votes taken on all articles or groups of articles that are materially independent.

Finally, in accordance with Article 518 of the Spanish Companies Act upon the calling of the General Meeting, at which the amendment of the By-laws will be proposed, the Company's website will include the complete text of the proposed resolution and the reports from the competent bodies.

14. POWERS OF ATTORNEY OF THE MEMBERS OF THE BOARD OF DIRECTORS AND, IN PARTICULAR, THOSE RELATING TO THE POSSIBILITY OF ISSUING OR REPURCHASING SHARES

Power-of-attorney granted to Members of the Board of Directors

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the meeting held on June 22, 2016, unanimously agreed, following a favourable report by the Appointments and Remuneration Committee to appoint Mr. Ignacio Martín San Vicente as Executive Chairman of the Board of Directors and Managing Director, delegating all powers corresponding to the Board of Directors pursuant to law and to the Corporate By-laws to him, with the exception of those that may not be delegated pursuant to law or to the Corporate By-laws. Mr. Martín San Vicente accepted his appointment at the same act.

Powers relating to the possibility of issuing or repurchasing shares

At the date of the approval of this Report, the authorization granted by the Annual General Meeting held on May 8, 2015 remains in force, pursuant to which the Board of Directors has powers to acquire treasury shares. There follows below a verbatim transcription of the resolution approved by the Meeting under item 9 of the Agenda.

“To expressly authorize the Board of Directors, with express powers of substitution, pursuant to the provisions of article 146 of the Spanish Companies Act, to proceed to the derivative acquisition of shares in Gamesa Corporación Tecnológica, Sociedad Anónima, subject to the following conditions:

- a. - Acquisitions may be made directly by Gamesa, or indirectly through its controlled companies.*
- b.- Acquisitions of shares shall be made through sale and purchase transactions, exchanges, or any other method allowed by law.*
- c. - Acquisitions may be made, at any time, up to the maximum figure allowed by law.*
- d. - The minimum price for the shares will be their par value and the maximum price may not exceed 110% of their listed price on the date of acquisition.*
- e. - The shares acquired may be subsequently disposed of under such conditions as may be freely agreed.*
- f. - This authorization is granted for a maximum term of 5 years, and expressly renders of no effect the authorization granted by the Company’s Annual General Meeting on May 28, 2010, in that part left to run.*
- g.- As a consequence of shares acquisition, including those that the Company or the person that acts on its self but on behalf of the Company may have acquired priory or have had treasury shares, the resulted equity will not be lower than the amount of the sum of the share capital plus the legal and unavailable statutory reserves, all under what is provided in letter b) of the Article 146.1 of the Spanish Companies Act.*

Finally and in relation with the provision of the last paragraph of article 146.1.a) of the Spanish Companies Act, it is stated that the shares acquired pursuant to this authorization may be used by the Directors of the Company, either directly or as a result of the exercise of option rights or any other rights envisaged in the Incentive Plans of which they are the holders and/or beneficiaries pursuant to the provisions laid down by law, the by-laws, or the regulations.”

15. SIGNIFICANT AGREEMENTS ENTERED INTO BY THE COMPANY AND WHICH COME INTO FORCE, ARE AMENDED, OR COME TO AN END IN THE EVENT OF A CHANGE OF CONTROL AT THE COMPANY AS A RESULT OF A TAKEOVER BID, AND THE EFFECTS THEREOF, EXCEPT WHERE THE DISCLOSURE THEREOF SHOULD BE SERIOUSLY PREJUDICIAL TO THE COMPANY. THIS EXCEPTION SHALL NOT APPLY WHERE THE COMPANY SHOULD BE UNDER A STATUTORY DUTY TO MAKE THIS INFORMATION PUBLIC.

Pursuant to the framework agreement dated December 21, 2011 (Relevant Event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L. Unipersonal, in the event of any change in control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. would allow IBERDROLA, S.A. to terminate the framework agreement without the parties having any claim against such termination.

Also in accordance with the Joint Venture agreement signed as of July 7, 2014 (Relevant Event number 208151) and of March 9, 2015 (Relevant Event number 219885) between AREVA, SA and GAMESA CORPORACIÓN TECNOLÓGICA, S.A., among other companies within their respective groups, the eventual change in control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. in favor of a competitor would authorize the parties to the AREVA group to terminate the agreement, a situation that could lead to the sale of AREVA's participation held by GAMESA in the Joint Venture or, ultimately, to the dissolution and liquidation of that company Joint Venture.

Finally, on December 17, 2015, Gamesa Energía, S.A.U. (as buyer) and GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. y FUNDACION TECNALIA RESEARCH & INNOVATION (as sellers) signed a Purchase-sale Agreement of social Shares which is subject to a condition precedent that regulates the acquisition of 50% of NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L. (NEM). The Condition Precedent consists of the authorization of the NATIONAL SECURITIES MARKET COMMISSION AND OF THE COMPETITION BOARD determined in the Article 7.1.c) of 15/2007 Law, of July 3, of The Commission of Protection of Competition. On the same date, and with aim of regulating the relations between Gamesa Energía and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as potential partners of NEM (in his case) the parties signed a Partner Agreement. According to the regulations gathered in the Partner Agreement, in the event of a change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A., Gamesa Energía, S.A.U. should offer to the rest of partners the direct acquisition of their shares in NEM.

16. ANY AGREEMENTS BETWEEN THE COMPANY AND ITS BOARD MEMBERS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THEY RESIGN OR ARE MADE REDUNDANT WITHOUT VALID REASON OR IF THEIR EMPLOYMENT CEASES BECAUSE OF A TAKEOVER BID.

The Chairman and CEO and some of the members of the executive team at the Company 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.

In general with regard to non-managerial employees, in the event of the termination of their employment relationship, their contracts do not clearly consider financial compensation other than as required by current legislation.

ⁱ Gamesa Corporación Tecnológica engages in wind turbine manufacture, which includes the development, construction and sale of wind farms, as well as O&M services.

ⁱⁱ Includes 731 MW signed in Q4 16 and announced in Q1 17.

ⁱⁱⁱ Coverage calculated as the ratio between firm orders at 2016 year-end and projected 2017 sales (5,000 MWe). Coverage of 63% in 2016 is calculated in terms of orders at 2015 year-end with respect to 2016 sales (4,332 MWe).

^{iv} Ratio of working capital to revenues in the last twelve months.

^v Net financial debt means interest-bearing debt, including subsidised loans, derivatives and other current financial liabilities, less other current financial assets and cash.

^{vi} Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q4 2016 (731 MW) that were announced individually in Q1 2017.

^{vii} Data published by the Global Wind Energy Council (GWEC) on 10 February 2016 and 2017, respectively.

^{viii} According to GWEC preliminary figures published on 10 February, 54,600 MW were installed in 2016, of which 23,328 MW in China and 31,272 MW in the rest of the world. According to GWEC figures published on 10 February 2016, a total of 63,013 MW were installed worldwide in 2015, of which 30,500 MW in China and 32,513 MW in the rest of the world.

^{ix} Bloomberg New Energy Finance global ranking, including onshore and offshore, published on February 22, 2017.

^x Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q4 2016 (731 MW) that were published individually in Q1 2017.

^{xi} Book-to-bill ratio in the quarter.

^{xii} Book-to-bill ratio in the last twelve months.

^{xiii} Coverage calculated as orders received for activity in 2017 with respect to the activity guidance for 2017 (c. 5,000 MWe).

^{xiv} Fixed expenses with a cash impact, excluding depreciation and amortisation.

^{xv} The impact of Adwen on the net profit of 2015 is made up of two impacts: capital gains from the creation of the joint venture which amounted to €9 million, €1 million net of taxes, and operating losses which amounted to €6 million.

^{xvi} Capex LTM/sales LTM.

^{xvii} The impact of Adwen on the net profit of 2015 is made up of two impacts: capital gains from the creation of the joint venture which amounted to €9 million, €1 million net of taxes, and operating losses which amounted to €6 million.

^{xviii} Source: GWEC 2015, MAKE and BNEF (Q4 2016 - Global Wind Power Market Outlook Update)

^{xix} Bloomberg New Energy Finance: "H2 2016 Global LCOE Outlook", October 2016; "New Energy Outlook 2016", June 2016

^{xx} Bloomberg New Energy Finance: "H2 2016 Global LCOE Outlook", October 2016; "New Energy Outlook 2016", June 2016

^{xxi} Guidance for 2017 fiscal year for Gamesa "standalone"/pre-merger, excluding expenses strictly derived from the merger, at average exchange rate of January-February 2017 and with the same consolidation perimeter (i.e. recognizing Adwen at equity method).

^{xxii} Coverage of sales volume calculated as firm orders received for current year at 2016 year-end with respect to the volume guidance for 2017 (c. 5,000 MWe).

^{xxiii} At constant 2015 average exchange rates.

^{xxiv} Guidance for 2017 fiscal year for Gamesa "standalone"/pre-merger, excluding expenses strictly derived from the merger, at average exchange rate of January-February 2017 and with the same consolidation perimeter (i.e. recognizing Adwen at equity method).

ANNEX

Alternative Performance Metrics

Gamesa's financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Metrics (APM). The APM are considered to be "adjusted" magnitudes with respect to those presented in accordance with EU-IFRS and, consequently, the reader should view them as supplementary to, but not replacements for, the latter.

The APM are important for users of the financial information since they are the metrics used by Gamesa Management to assess financial performance, cash flows and the financial position for the purposes of the Group's financial, operational and strategic decisions.

The APM contained in Gamesa's financial disclosures that cannot be directly reconciled with them are as follows:

1. Return on capital employed – ROCE

This APM is used by Gamesa management to assess the ability of operational assets to generate profits; it is a measure of the profitability and efficiency of invested capital (equity plus debt).

ROCE is calculated as:

$$ROCE = \frac{EBIT \times (1 - t)}{\overline{CE}}$$

Where *t* is the rate of corporate income tax and \overline{CE} is the average capital employed in the period. Capital employed measures the capital invested in the group (equity plus debt) and is calculated as Total Equity + Net Financial Debt [NFD, defined below]. Average capital employed is calculated as the arithmetic mean of capital employed at the beginning of the current year and capital employed at the end of the period. ROCE is calculated for 12-month periods: for interim periods that do not coincide with a full accounting year, EBIT in the last twelve months is used.

The tax rate used is 28.3% in 2016 (28% in 2015), in accordance with the latest estimates of the average tax rate in the year.

	Million euro	
	2016	2015
EBIT in the last 12 months (LTM)	477	323
(1-t)	0.717	0.720
I. EBIT LTM after taxes	342	232
Beginning total equity	1,527	1,385
Beginning NFD	(301)	(143)
II. Beginning capital employed	1,226	1,242
Ending total net equity	1,765	1,527
Final net financial debt	(682)	(301)
III: Ending capital employed	1,083	1,226
IV.= ((II+III)/2), Average capital employed	1,155	1,234
I / VI. ROCE	29.62%	18.80%

2. Net financial debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings, including subsidised loans (repayable advances), derivative instruments and other current and non-current financial liabilities, less cash and cash equivalents and the value of short-term financial investments.

Net Financial Debt is the main APM used by Gamesa management to measure the Group's indebtedness and leverage (when compared with Capital Employed).

<i>Financial statements line-item:</i>	Million euro (*)					
	31.12.2016			31.12.2015		
	Financial Statements	Adjustments	NFD	Financial Statements	Adjustments	NFD
Derivative financial instruments (non-current assets)	0	-	0	8	-	8
Derivative financial instruments (current assets)	12	-	12	10	-	10
Other current financial assets	21	-	21	17	-	17
Other current financial assets, related companies	10	-	10	8	-	8
Cash and cash equivalents	1,295	-	1,295	869	-	869
Financial debt (non-current liabilities)	(425)	-	(425)	(445)	-	(445)
Derivative financial instruments (non-current liabilities)	(7)	-	(7)	(4)	-	(4)
Other liabilities (non-current)	(38)	8 ⁽¹⁾	(30)	(44)	13 ⁽¹⁾	(31)
Financial debt (current liabilities)	(120)	-	(120)	(103)	-	(103)
Derivative financial instruments (current liabilities)	(60)	-	(60)	(4)	-	(4)
Other current liabilities	(121)	107 ⁽²⁾	(14)	(102)	80 ⁽²⁾	(23)
Net Financial Debt (positive: net cash / negative: net debt)			682			301

⁽¹⁾ The adjustment correspond to the elimination of liabilities with personnel amounting to €5.2 million at 31 December 2016 and other long term liabilities amounting to €2.8 million. At 31 December 2015, the adjustments were for elimination of liabilities to personnel amounting to €7 million, plus other liabilities related to associated companies amounting to €6 million.

⁽²⁾ The adjustments relate to the elimination of items classified as working capital amounting to €107 million at 31 December 2016 (€80 million at 31 December 2015) (see Working Capital).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

3. Working capital (WC)

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

Working Capital reflects the part of Capital Employed that is invested in net operating assets. Gamesa management uses this metric in managing and making decisions with respect to the business's cash conversion cycle, particularly in managing inventory, trade accounts receivable and trade accounts payable. Effective management of working capital involves achieving an optimal amount of working capital without jeopardising the company's ability to honour its obligations in the short term.

<i>Financial statements line-item:</i>	Million euro (*)					
	31.12.2016			31.12.2015		
	Financial Statements	Adjustments	Working capital	Financial Statements	Adjustments	Working capital
Inventories	1,036	-	1,036	803	-	803
Trade and other accounts receivable	1,226	-	1,226	989	-	989
Trade accounts receivable, related companies	285	-	285	82	-	82
Receivable from public authorities	301	-	301	213	-	213
Other receivables	19	-	19	42	-	42
Trade and other accounts payable	(2,405)	-	(2,405)	(1,789)	-	(1,789)
Trade accounts payable, related companies	(407)	0	(407)	(149)	0	(148)
Due to public authorities	(174)	-	(174)	(100)	-	(100)
Other current liabilities	(121)	14 ⁽¹⁾	(107)	(102)	23 ⁽²⁾	(80)
Working capital			(225)			12

⁽¹⁾ The adjustments relate to the elimination of the short-term part of the balance of repayable advances (€8 million), and other accounts payable that qualify as net financial debt (€6 million).

⁽²⁾ The adjustments relate to the elimination of the short-term part of the balance of repayable advances, (€6 million), and other accounts payable that qualify as net financial debt (€17 million).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

The ratio of working capital to revenue is calculated as working capital at any given date divided by the revenue in the twelve months prior to that date.

4. Capital Expenditure (Capex)

Capital Expenditure (capex) refers to investments made in the period in fixed assets (productive assets, whether tangible or intangible) in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex).

The amount of Capex is obtained directly from the financial statements:

<i>Financial statements line-item:</i> <i>Cash flow statement</i>	Million euro	
	2016	2015
Acquisition of intangible assets	72	56
Acquisition of property, plant and equipment	139	112
Capex	211	168

5. Definitions of cash flow

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (capex). Gamesa includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the year, the ordinary non-cash items (depreciation and amortisation, and over-provisions) and income from equity-accounted affiliates.

Net operating cash flow: the result of deducting working capital (defined in item 6) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

Free cash flow: obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between December 2016 and 2015 (defined in item 2 above) plus dividends paid in the period.

Million euro	2015	2016	Change
NFD (+ cash / - debt)	301	682	381
Dividend payments			42
Free cash flow			423

6. Average working capital

Calculated as the average of Working Capital (defined in point 3) at the end of the last four quarters.

Million euro	Q1	Q2	Q3	Q4	Average
Working capital 2015	395	275	365	12	262
Working capital 2016	153	129	253	-225	77
Change					(184)

7. Average Selling Price (ASP)

Average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

Million euro	2015	2016
Revenue	3,504	4,612
Wind Turbine Generators (1)	3,033	4,141
Operation and maintenance	471	471
MWe sold (2)	3,180	4,332
ASP (1/2)	0.95	0.96

8. Contribution Margin, Structural Expenses and EBIT

The **Contribution Margin** (CM) is the difference between revenue and variable costs. Deducting fixed (structural) costs, period depreciation and amortisation and impairments from the Contribution Margin gives EBIT. The Contribution Margin is normally presented as a percentage of revenue, the latter being revenue (total or by segments, as appropriate) in the financial statements.

Structural expenses are calculated by deducting period depreciation and amortisation, impairments and the Contribution Margin from EBIT. Structural expenses are presented as a percentage of revenues, the latter being revenue in the financial statements.

EBIT (Earnings Before Interest and Taxes): operating profit per the consolidated income statement. Operating profit before income from equity-accounted affiliates, net financial results including exchange gains/losses, taxes and income from discontinued operations/available-for-sale assets and non-controlling interests.

EBIT margin: ratio of reported EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

9. Net profit and Net profit per share (EPS)

Net profit: consolidated profit for the year attributable to the parent company.

Net profit per share (EPS): the result of dividing net profit by the average number of shares outstanding in the period (excluding treasury shares).

Thousands	2015	2016
Net profit	170,216	301,278
Number of shares	276,133	276,723
BNA	0.62	1.09

10. Other indicators

Coverage of WTG sales volume: the sales coverage ratio expresses the likelihood of achieving the WTG sales volume targets set by the company for a given year. It is calculated as orders received in the period (in MW) for activity/sale in a given year, divided by the activity/sales guidance for that year. Where the commitment is expressed as a range, the mid-point of the range is used. Where the commitment is expressed as a minimum volume, the ratio is calculated using that minimum volume.

MW	2016
Order Backlog year N (1)	3,135
Sales guidance year (2)	5,000
Coverage of WTG sales volume (1/2)	63%

Book-to-bill: ratio of order intake (in MW) to activity/sales (MWe) in the same period. The Book-to-Bill ratio gives an indication of the future trend in sales volume.

MW	2016
Order Intake	4,687
MWe	4,332
Book to bill	1.1

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

Cost of energy (LCOE/COE): the cost of converting a source of energy, e.g. wind, into electricity, measured in monetary units per MWh. It is calculated taking account of all costs incurred during the asset's life cycle (including construction, finance, fuel, operation and maintenance, taxes and incentives), divided by the total output expected from the asset during its useful life.

**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES**

IDENTIFYING DATA OF THE ISSUER

END DATE OF THE REFERENCE YEAR: 12-31-2016

TAX ID NO. A01011253

Company Name:

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

Business Address:

PARQUE TECNOLÓGICO DE BIZKAIA, EDIFICIO 222, 48170 ZAMUDIO (VIZCAYA)

**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES**

A STRUCTURE OF THE PROPERTY

A.1 Fill out the following table on the Company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
09-08-2014	47,475,693.79	279,268,787	279,268,787

Indicate whether or not there are different kinds of shares with different associated rights.

Yes

No

Type	Number of shares	Denomination per unit	Unitary number of voting rights	Different rights

A.2 Detailed information of the direct and indirect holders of significant shares, of their company at the year end date, excluding directors:

Shareholder's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
IBERDROLA, S.A.		IBERDROLA PARTICIPACIONES, S.A. SOCIEDAD UNIPERSONAL	54.977.288	19,686
NORGES BANK	8.958.027		8.397.066	3,208
FIDELITY INTERNATIONAL LIMITED			2.967.105	1,062

Indicate the most significant changes to the shareholder structure throughout the year:

Shareholder's name or company name	Operation date	Operation description
BLACKROCK, INC.	01/07/2016	Decreased its shareholding under 3% down to 2.917%
NORGES BANK	01/15/2016	Increased its shareholding more than 3% up to 3.026%
BLACKROCK, INC.	02/04/2016	Decreased its shareholding under 3% down to 2.873%
YORK EUROPEAN OPPORTUNITIES INVESTMENT MASTER FUND, L.P.	02/05/2016	Increased its shareholding more than 1% up to 1.052%

FIDELITY INTERNATIONAL LIMITED	02/23/2016	Decreased its shareholding under 1% down to 0.947%
YORK EUROPEAN OPPORTUNITIES INVESTMENT MASTER FUND, L.P.	02/26/2016	Decreased its shareholding under 1% down to 0.802%
NORGES BANK	03/08/2016	Decreased its shareholding under 3% down to 2.967%
OZ MASTER FUND LTD	07/11/2016	Increased its shareholding more than 1% up to 1.062%
OZ MASTER FUND LTD	07/28/2016	Decreased its shareholding under 1% down to 0.973%
OZ MASTER FUND LTD	10/04/2016	Increased its shareholding more than 1% up to 1.016%
NORGES BANK	10/19/2016	Increased its shareholding more than 3% up to 3.136%
NORGES BANK	10/26/2016	Decreased its shareholding under 3% down to 2.890%
NORGES BANK	11/15/2016	Increased its shareholding more than 3% up to 3.375%
NORGES BANK	11/16/2016	Decreased its shareholding under 3% down to 2.847%
FIDELITY INTERNATIONAL LIMITED	11/28/2016	Increased its shareholding more than 1% up to 1.062%
NORGES BANK	12/06/2016	Increased its shareholding more than 3% up to 3.358%
OZ MASTER FUND LTD	12/13/2016	Increased its shareholding more than 2% up to 2.041%
NORGES BANK	12/14/2016	Increased its shareholding more than 3% up to 3.208%
DANIEL S. OCH	12/14/2016	Increased its shareholding more than 3% up to 3.024%
DANIEL S. OCH	12/28/2016	Decreased its shareholding under 3% down to 2.986%

See note (A.2) in Section H of this report.

A.3 Fill out the following tables on the members of the Company's Board of Directors who have rights to vote on the Company's shares:

Director's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
Arregui Ciarsolo, Juan Luis	0	RETOS OPERATIVOS XXI, S.L.	138,196	0.049 %
Martín San Vicente, Ignacio	62,702		0	0.022 %
Hernández García, Gloria	1,200		0	0.000 %
Rubio Reinoso, Sonsoles	1,030		0	0.000 %
Lada Díaz, Luis	519		0	0.000 %
Aldecoa Sagastasoloa, José María	500		0	0.000 %
Rodríguez-Quiroga Menéndez, Carlos	315		0	0.000 %
Cendoya Aranzamendi, Andoni	300		0	0.000 %
Aracama Yoldi, José María	207		0	0.000 %
Codes Calatrava, Gerardo	20		0	0.000 %
Vázquez Egusquiza, José María	0		0	0.000 %
Villalba Sánchez, Francisco Javier	0		0	0.000 %

Total % of voting rights in the power of the Board of Directors	0.073 %
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Fill out the following tables on the members of the Company's Board of Directors who have rights over the Company's shares:

Director's name or company name	Number of direct rights	Indirect rights		Number of equivalent shares	% of the total voting rights
		Direct holder	Number of voting rights		

See note (A.3) in Section H of this report.

- A.4 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders, as the Company is aware of them, unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description

- A.5 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders and the Company and/or its group unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description
IBERDROLA, S.A.	CONTRACTUAL	SEE SECTION D.2.

- A.6 Indicate whether or not the Company has been notified of shareholders' agreements which affect it according to the provisions in Articles 530 and 531 of the Capital Companies Law. Where applicable, describe them briefly and list the shareholders bound by the agreement:

Yes

No

Members of the shareholder's agreement	% of affected share capital	Brief description of the agreement
IBERDROLA, S.A., IBERDROLA PARTICIPACIONES, S.A.(SOCIEDAD UNIPERSONAL) and SIEMENS AKTIENGESELLSCHAFT	19.686% and 67% after meger	In fulfilment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2, IBERDROLA, S.A. informed Gamesa Corporación Tecnológica, S.A. on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA, S.A. and Iberdrola Participaciones, S.A. (Sociedad Unipersonal),

		as shareholders (non-direct and direct, respectively) of Gamesa Corporación Tecnológica, S.A., on one hand, and Siemens AG, on the other hand. The contract was signed in the context of a process of combination of the wind energy businesses of Gamesa Corporación Tecnológica, S.A. and Siemens AG through the merger by absorption of Siemens Wind Holdco, S.L. (Sociedad Unipersonal) by GAMESA (the "Merger"). In this frame it rules the relationships as future shareholders of Gamesa after the Merger (the "Shareholders' agreement").
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Indicate whether or not the Company is aware of the existence of shares agreed on between its shareholders. Where applicable, describe them briefly:

Yes

No

Members of the agreed on share	% of affected share capital	Brief description of the agreement

If, throughout the year, there was an amendment to or termination of these agreements or agreed on shares, indicate this expressly:

- A.7 Indicate whether or not there is a natural or legal person who exercises or may exercise control over the Company according to Article 5 of the Securities Market Law. Where applicable, identify it:

Yes

No

Name or company name

Observations

A.8 Fill out the following tables on the Company's treasury shares:

At the year end date:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,365,265	0	0.847

(*) Using the:

Direct shareholder's name or company name	Number of direct shares
Total:	

Explain the significant variations, in accordance with the provisions in Royal Decree 1362/2007, occurring throughout the year:

Explain the significant variations
<p>Pursuant to article 40 of <i>Royal Decree 1362/2007 of 19 October, implementing the Spanish Securities Market Act (Law 24/1988 of 28 July)</i>, regarding the transparency requirements in relation to information about issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union (the "Royal Decree 1362/2007"), these issuers must inform the National Securities Market Commission (CNMV) of the proportion of voting rights held when, from the last treasury stock acquisition announcement, they acquire their own shares amounting to at least 1% of the voting rights via a single transaction or successive transactions.</p> <p>In this regard, during 2016 GAMESA CORPORACIÓN TECNOLÓGICA, S.A. ("GAMESA" or the "Company" and the group of companies of which Gamesa is the parent company, the "Gamesa Group" or simply the "Group") made seven announcements of direct acquisitions of treasury stock, since all of them exceeded the 1% threshold of the voting rights since the previous similar announcement. The announcements made are detailed below:</p> <ul style="list-style-type: none"> • Announcement date: 3 February 2016, with a total number of directly acquired shares of 2,830,204, thus a capital share total of 1.01%. • Announcement date: 11 March 2016, with a total number of directly acquired shares of 2,835,160, thus a capital share total of 1.01%. • Announcement date: 13 June 2016, with a total number of directly acquired shares of 2,798,928, thus a capital share total of 1.00%. • Announcement date: 6 July 2016, with a total number of directly acquired shares of 2,800,327, thus a capital share total of 1.00%. • Announcement date: 25 August 2016, with a total number of directly acquired shares of 2,795,998, thus a capital share total of 1.00%.

- Announcement date: 11 October 2016, with a total number of directly acquired shares of 2,845,974, thus a capital share total of 1.01%.
- Announcement date: 24 November 2016, with a total number of directly acquired shares of 2,912,805, thus a capital share total of 1.04%.

See note (A.8) in Section H of this report.

- A.9 Provide detailed information on the terms and conditions and period of the current mandate from the Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer own shares.

On this report's approval date, the authorization given by the Ordinary General Meeting of the Company's Shareholders held on May 8, 2015, by virtue of which the Board of Directors was authorized to acquire own shares. The content of the agreement adopted at the referred to Meeting in point nine of the agenda is transcribed below:

"To expressly authorise the Board of Directors, with the express powers of substitution, as per the dispositions in article 146 of the Companies Law for the derivate acquisition of the Gamesa Corporación Tecnológica, Sociedad Anónima's ("Gamesa" or the "Company") own shares in the following terms:

- a.- The acquisitions may be made by Gamesa or by any of its depending companies in the same terms of this agreement.*
- b.- The share acquisitions will be made through sales, swaption or any other legally permitted operations.*
- c.- The acquisitions may be made, at each time, up to the legally allowed maximum figure.*
- d.- The minimum share price will be their nominal value and the maximum will not be 110% above their market quotation value on the date of acquisition.*
- e.- The shares acquired may subsequently be transferred in freely decided conditions.*
- f.- The present authorisation is awarded for a maximum period of 5 years, expressly repealing the unused part of the authorisation awarded by the Company Shareholders' Ordinary General Meeting held on May 28, 2010.*
- g.- The shareholders' equity resulting from the acquisition of shares, including those that the Company or the person acting in their own name but for the account of the Company has previously acquired and holds as treasury shares, shall not be less than the amount of share capital plus the reserves that are restricted under the law or the By-Laws, all pursuant to the provisions of letter b) of section 146.1 of the Companies Law.*

Lastly, and in relation to the dispositions in article 146.1.a) last paragraph of the Companies Law, it is stated that the shares that are acquired under the present authorisation, may be used by the Company for, amongst other purposes, giving to Company employees or administrators either directly or deriving from the exercise of option or other rights contemplated in incentive plans of which they are holders and/or beneficiaries as considered in the relevant legislation, statutes or regulations."

A.9 bis Estimated free float:

	%
Estimated free float	73.083

See note (A.9 bis) in Section H of this report.

A.10 Indicate whether or not there is a restriction on the transfer of securities and/or any restriction on the right to vote. Specifically, notify the existence of any other kind of restrictions which may make it hard to take control of the Company by acquiring its shares in the market.

Yes

No **X**

Description of the restrictions

A.11 Indicate whether or not the general meeting has agreed on adopting neutralization measures regarding a public acquisition offer pursuant to the provisions in Law 6/2007.

Yes

No **X**

Where applicable, explain the approved measures and the terms and conditions in which the restrictions will not be effective:

A.12 Indicate whether or not the Company has issued securities that are not traded in a regulated community market.

Yes

No **X**

Where applicable, indicate the different kinds of shares and, for each kind of share, the conferred rights and obligations.

B GENERAL MEETING

B.1 Indicate and, where applicable, detail if there are differences between the minimum quorum given in the Capital Companies Law (LSC) regarding the quorum required to hold the general meeting.

Yes No

	% of quorum different from the provisions in Art. 193 LSC for general circumstances	% of quorum different from the provisions in Art. 194 LSC for special circumstances in Art. 194 LSC
Required quorum in the 1st call		
Required quorum in the 2nd call		

Description of the differences

B.2 Indicate and, where applicable, detail if there are differences between the quorum given in the Capital Companies Law (LSC) for entering into social agreements:

Yes No

Describe how it differs from the minimum quorum given in the LSC.

	Enhanced majority different from the one established in Article 201.2 of the LSC for the circumstances in 194.1 of the LSC.	Other enhanced majority circumstances
% established by the entity for adopting agreements		
Describe the differences		

- B.3 Indicate the standards applicable to amending the Company's bylaws. Specifically, the majorities laid down for amending the bylaws will be communicated as well as, where applicable, the set standards for enforcing the rights of partners when amending the bylaws.

The amendment of the Gamesa Bylaws is governed by articles 285 through 290 of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July (the "Corporate Enterprises Act").

The amendment of the Gamesa Bylaws is also governed as stipulated in the Company's own Bylaws and the Regulations of the Company's General Shareholders Meeting.

In this regard, regarding to the capacity for amendment, articles 14 h) of the bylaws and 6.1 h) of the Regulations of the General Shareholders Meeting state that this capacity pertains to the Gamesa General Shareholders Meeting.

Articles 18 h) of the Bylaws and 26 of the Regulations of the General Shareholders Meeting include the quorum requirements for adopting decisions by the General Shareholders Meeting. Articles 26 of the Bylaws and 32 of the Regulations of the General Shareholders Meeting stipulate the majorities necessary to do so.

Article 31.4 of the Regulations of the General Shareholders Meeting states that the Board of Directors, in accordance with the law, will form proposals for different agreements regarding matters that are substantially independent so the shareholders may separately exercise their voting right. Specifically, this rule will be applied in the case of amendments to the bylaws, to each article or a group of articles which are substantially independent.

Finally, in accordance with article 518 of the Corporate Enterprises Act, with the notice convening the General Shareholders Meeting in which a proposal is made to amend the Bylaws, the Company's website will post the complete text of the agreement proposals on the items in the agenda proposing said amendment, and the reports from the competent bodies in relation thereto.

- B.4 Indicate the data regarding attendance at the general meetings held throughout the year referred to in this report and those of the previous year:

General meeting date	Attendance data				
	% physical presence	% represented	% distance voting		Total
			Electronic vote	Others	
10-25-2016	23.13	34.80	0.00	0.00	57.93
06-22-2016	24.41	34.83	0.00	0.00	59.24
05-08-2015	24.37	34.51	0.00	0.00	58.88

See note (B.4) in Section H of this report.

B.5 Indicate if there is a restriction in the by-laws which establishes a minimum number of required shares to attend the general meeting:

Yes

No

Number of required shares to attend the general meeting	1
--	----------

B.6 Repealed paragraph.

B.7 Indicate the address and mode of access to the Company's website and to the information on corporate governance and other information on the general meetings which should be available to the shareholders through the company's website.

The Bylaws of GAMESA rule in its article 48 the Webpage of the company according to the current legislation.

The obligatory content which must be published according to the restated Text of the Law on the Securities Market, approved by Royal Legislative Decree 4/2015, of October 23, ("Securities Market Law"), by the Capital Companies Law and by the Order ECC/461/2013, dated March 20, by which the content and structure of the annual corporate governance report, the annual report on remunerations and other informative instruments of the listed companies, of savings accounts and other entities that issue securities traded in official securities markets are determined, and completed by Circular 3/2015, dated June 23, of the Comisión Nacional del Mercado de Valores (National Securities Exchange Commission), on the technical and legal specifications that the webpage of the issued companies and the saving accounts that issue securities admitted in the official secondary securities markets must include, are directly accessible at <http://www.gamesacorp.com/en/investors-and-shareholders/>.

The Company's website does not only contain the information required by the legislation (Securities Market Law, Capital Companies Law, Order ECC/461/2013, dated March 20, and Circular 3/2015, dated June 23) but also other of information of interest for shareholders and investors and news referring to the Company's activity.

Limiting ourselves to the mandatory content, we have aimed for the viewers of it, shareholders and investors, to be able to simply access the information which, in accordance with the legislation of the Securities Market Law, has to be accessible and mainly that this information is continuously updated.

Regarding accessibility of the mandatory content, it must be noted that access to it is shown on the home page of the website under the title "Shareholders and Investors". Within this title, there is an index that includes content which, in accordance with the aforementioned Circular 3/2015 and Order ECC/461/2013, have to be included on the listed companies' websites. Likewise, it is also noted that the mentioned index is also directly available from the home page of the website, being able to access one of its already, individually broken down sections.

As in the previous eight years, it is worth noting that the Company has finished in 2016 (in compliance with the internal regulation on maintenance and updating the corporate website, under revision), the monthly revision of the mandatory content, proceeding, where necessary, to updating it in the maximum period of twenty days.

C THE COMPANY'S ADMINISTRATION STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the by-laws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Fill out the table below with the board members:

Director's name or company name	Representative	Directors's category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Martín San Vicente, Ignacio		Executive	Chairman and CEO	05-23-2012	06-22-2016	General Meeting
Arregui Ciarsolo, Juan Luis		Independent	Vice Chairman	01-28-1976	04-19-2013	General Meeting
Rodríguez-Quiroga Menéndez, Carlos		Executive	Director and Secretary	09-27-2001	04-19-2013	General Meeting
Vázquez Egusquiza, José María		Independent	Director	05-25-2007	04-19-2013	General Meeting
Lada Díaz, Luis		Independent	Director	10-23-2009	04-19-2013	General Meeting
Aracama Yoldi, José María		Independent	Director	03-08-2011	04-19-2013	General Meeting
Rubio Reinoso, Sonsoles		External Proprietary	Director	12-14-2011	06-22-2016	General Meeting
Aldecoa Sagastasoloa, José María		Independent	Director	07-25-2012	04-19-2013	General Meeting
Villalba Sánchez, Franciscp Javier		External Proprietary	Director	02-25-2015	05-08-2015	General Meeting
Hernández García, Gloria		Independent	Director	05-08-2015	05-08-2015	General Meeting
Cendoya Aranzamendi, Andoni		Independent	Director	05-08-2015	05-08-2015	General Meeting
Codes Calatrava, Gerardo		External Proprietary	Director	09-14-2016	10-25-2016	General Meeting

Total number of directors	12
----------------------------------	----

Indicate any resignations in the Board of Directors during the period subject to information:

Director's name or company name	Condition of the director at the time of resignation	Leave date
Góngora Bachiller, Gema	External Proprietary	09-14-2016

See note (C.1.2) in Section H of this report.

C.1.3 Fill out the following tables on the board members and their different conditions:

EXECUTIVE DIRECTORS

Director's name or company name	Position in the company's organizational chart
Martín San Vicente, Ignacio	Chairman and CEO
Rodríguez-Quiroga Menéndez, Carlos	Director-Secretary of the Board of Directors and Legal Counsel

total number of executive directors	2
% of the total of the board	16,67

EXTERNAL PROPRIETARY DIRECTORS

Director's name or company name	Name or company name of the significant shareholder acting as representative or who approved his/her appointment
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.
Villalba Sánchez, Francisco Javier	IBERDROLA, S.A.
Codes Calatrava, Gerardo	IBERDROLA, S.A.

Total number of proprietary directors	3
% of the total of the board	25

INDEPENDENT EXTERNAL DIRECTORS

Director's name or company name	Profile
Aracama Yoldi, José María	<p>He was born in Pamplona (Navarra). He currently holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., of its Audit and Compliance Committee and of its Appointments Committee.</p> <p>He holds a Degree in Industry Engineering in the San Sebastian faculty (TECNUN) from the University of Navarra with a specialization in "Industrial Organization". He completed his studies with a Master in Business Administration (MBA) in the IESE in Barcelona (University of Navarra).</p>

	<p>Throughout his professional career he held different posts in the private and public sector. He was Financial Director and in charge of the registered office in Navarra of "Cementos Portland, S.A." (1979-1996), Economy and Tax Counsel in the Navarra Government (1996-1999), Director in Pamplona of the group "Cementos Portland Valderrivas" (1999-2001), General Director of SODENA (Sociedad de Desarrollo de Navarra, S.A.) (2001-2011) and Enclosure to the Presidency of the group "Cementos Portland Valderrivas" (2011-2013).</p> <p>In parallel to his professional activity and representing the Government of Navarra, Caja Navarra, SODENA or the group Cementos Portland Valderrivas, he was member of the Board of Directors of several companies, among others, SOFOENSA (Sociedad de Fomento Energético, S.A.), EHN (Energía Hidroeléctrica de Navarra, S.A.), Electra de Zudaire, S.A., Caja de Ahorros de Navarra, SODENA (Sociedad de Desarrollo de Navarra, S.A.), Redes de Telecomunicaciones de Navarra, S.A., Mutua Navarra, Cementos Alfa, S.A., Cementos Lemona, S.A., Uniland Cementera, S.A., Oficemen, Cembureau, Committee of the Regions of the European Parliament, Consejo Económico y Social de Navarra, Fundación Jorge Oteiza and Fundación Baluarte.</p> <p>Likewise and as independent Director or representing himself he was member of the Board of Directors of, among others, CEASA (Compañía Eólica Aragonesa, S.A.), Chairman of the Colegio de Ingenieros Industriales de Navarra, Chairman of the Agrupación Territorial de Navarra, País Vaco y La Rioja of the IESE, member of TEMIS (group of applied investigation specialized in business processes), Teacher of Finance in the Executive Master of Companies Management of the Foro Europeo (Escuela de Negocios, Pamplona).</p> <p>Currently, he is member of the Board of Consultora Altair, founding partner of the Technological Consultancy Tangle Research, S.L., member of the Social Board of the Universidad Pública de Navarra, of the Strategic Board of CEIT (Centro de Estudios e Investigaciones Técnicas), of the Junta Rectora de APD (Asociación para el Progreso de la Dirección) and of the Junta of Fundación Proyecto Hombre de Pamplona.</p>
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<p style="text-align: center;">Lada Díaz, Luis</p>	<p>He was born in Mieres (Asturias). He currently holds the position of Member of the Board of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Member of the Executive Committee.</p> <p>He holds a Degree in Telecommunications Engineering from the Polytechnic University of Madrid. He is "Ad Honorem" Professor and permanent member of the Royal Academy of Engineering.</p> <p>After a short period in the Superior Board of Scientific Investigations (Consejo Superior de Investigaciones Científicas) he joined, in 1973, the Center of Investigations and Studies of Telefonica, company where he mostly has developed his professional career. In 1984, he was appointed as Responsible for Planning and Technology. Between 1989 and 1993 he worked for the Amper Group, as General Director of Planning and Control, and after that he returned to Telefónica as Responsible of its Group of Subsidiaries and Participated Companies. In 1994 he was appointed Chairman of Telefonica Moviles España. In August, 2000, he became member of the Board of Directors of Telefonica, S.A., member of its Executive Committee and Executive Chairman of Telefonica Moviles, S.A. In August, 2003, he assumed the General Directorate of Development, Planning and Regulation of the Telefonica Group. Between December 2005 and July 2006 he was Executive Chairman of Telefonica de España.</p> <p>Currently, he is member of the Board of Directors of Indra Sistemas, S.A. and member of its Audit and Compliance Committee, and member of the Board of Directors of ENCE Energía y Celulosa, S.A. and of its Audit Committee. He is also member of the Counsel Board of ASSIA Inc. and of the Consejo del Colegio de Ingenieros de Telecomunicación.</p> <p>He has been member of the Government Board and Vice Chairman of the Spanish Telecommunications Engineers Association, as well as member of the Board of Directors of several companies of the Information Technology field. He has been awarded with different professional and business honours.</p>
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<p>Aldecoa Sagastasoloa, José María</p>	<p>Born in Zaldibar (Vizcaya), he holds the position of member of the Board of Directors and of the Executive Committee, and Coordinating Director of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.</p> <p>Holds a Degree in Electronic Technical Engineering by the University of Mondragón and PADE (<i>Programa de Alta Dirección de Empresas</i>) by the IESE.</p> <p>Along his professional career he has hold different posts in the private sector, like diverse Technical and Management in COPRECI (1971-1982), the post of Management Director of FAGOR ELECTRÓNICA and he was also member of the Management Counsel of Fagor, S. Coop. (1982-1991). Between 1984 and 1991 he was Deputy Chairman of ANIEL (<i>Asociación Nacional de Industrias Electrónicas</i>) and Chairman of the Board of Components. Likewise his post as member of the Management Board of the European Association of electronic components (EECA) between 1986 and 1991 shall be pointed out.</p> <p>From 1992 until 2012 his professional career was developed in MONDRAGON CORPORACION holding diverse posts like Deputy Chairman (1992-2006), General Director of the Components Division (1992-1999), Chairman of the Congress and of its Permanent Committee (1994-1995), General Director of the Automotive Division (1999-2006), and he was also member of the General Board (1992-2006). In 2007 he was appointed Chairman of the General Board, post he held until July 2012.</p> <p>He was also Chairman of the Engineering School of the University of Mondragón (1998-2002).</p> <p>He also held the post of member of the Board of Directors of diverse companies of components and the automotive sector (Copreci-Chequia, Copreci-Mexico, Vitorio Luzuriaga, Fagor Ederlan-Brasil, Paranoa-Cicautxo-Brasil, FPK, Fagor Ederlan-Eslovaquia), and the post of member (1992-2006) and Chairman (2007-2012) of MONDRAGON INVERSIONES.</p>
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	<p>Currently he holds the position of external independent Director in VISCOFAN, S.A., as well as member of its Audit Committee and Lead Independent Director.</p>
<p>Arregui Ciarsolo, Juan Luis</p>	<p>Born in Mallavia (Vizcaya). He is currently Deputy Chairman of the Board of Directors, member of the Executive Committee and member of the Remunerations Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.</p> <p>He holds a Technical Engineering Degree from the Bilbao School of Engineering, holds a degree in Numerical Control from Wandsdorf, Germany and has a Master in Micromechanics from Besançon, France.</p> <p>He is the Chairman of Viña Izadi, S.A. since 1987 and of Foresta Capital, S.A., since 2002, having taken part in founding both companies. He is also the President of ENCE Energía y Celulosa, S.A. since 2006, Director of GRL Aceite since 2000, and First Deputy Chairman of Cartera Industrial Rea, S.A. since 2008. He held the position of Director of Iberdrola, S.A. (1993-2010), holding the posts of member of the Audit Committee (1999-2001), member of the Executive Committee (2002-2010), member of its Appointment and Remuneration Committee (2004-2010) and Deputy Chairman of the Board of Directors (2006-2010).</p> <p>He also held the positions of Chairman of Gamesa, Chairman of Corporation Eólica Cesa, S.L., Co-Chairman of Grupo Guascor and member of Gestora de Proyectos y Contratos, S.A., of which he was co-founder.</p>
<p>Vázquez Egusquiza, José María</p>	<p>He was born in Bilbao (Vizcaya). He currently holds the position of Member of the Board of Directors and Member of the Audit and Compliance Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.</p> <p>He holds an Industrial Metallurgic Engineering Degree and an Economics Degree from the University of País Vasco, having completed his training with various Masters in the USA and Sweden.</p>

	<p>His professional career has been developed mainly in the metallurgic sector. He started at Babcock & Wilcox as an engineer of materials and weld in the valves for the nuclear power station department, holding afterwards management positions at different companies of the País Vasco within the metallurgic sector, equipments, shipping and construction.</p> <p>He is currently, among others, Chairman of the Board of Directors of GIROA (Grupo Veolia), member of the Strategic Committee of IK4 Research Alliance and member of the Patronato and the Strategic Board of the Centro de Estudios e Investigaciones Técnicas de Gipuzkoa (CEIT).</p> <p>He has performed, among others, tasks of President of the Industrial Politics Committee of CONFEBASK, member of the Board of Directors of CEOE, President of the Technological Innovation Committee of CEOE, member of the Corporate Committee for CEOE's Information Company, Director of Centro de Diseño Industrial of Bizkaia, member of the Board of Directors of Asociación Española para el Desarrollo de la Soldadura and member of the Board of Directors of SEOPAN.</p> <p>He has developed an intensive educational and disclosed work.</p>
Hernández García, Gloria	<p>Born in Madrid, she holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Chairman of its Audit and Compliance Committee.</p> <p>She studied at the Complutense University of Madrid, where she obtained a degree in Economic Sciences with a specialty in Economic Theory.</p> <p>She is currently the General Director of Finance and Capital Markets of Bankinter, S.A., manager of the treasury of the company, of balance sheet risk management, of solvency and calculation, and of the management of the resources of the Bankinter Group, as well as responsible for the budget control and the efficiency, the investors relations, accountancy policies and the financial control, the accounts and the</p>

	<p>financial information of the Bankinter group and the coordination of the relationship of the entity with the ECB.</p> <p>She is member of the Management Committee of Bankinter, S.A., Director as representative of Bankinter in Linea Directa Aseguradora, S.A., Bankinter Consumer Finance and Bankinter Global Services.</p> <p>Before joining Bankinter, S.A., she served for over seven years as the Financial Director of Banco Pastor, S.A.</p> <p>Doña Gloria Hernández García is Commercial Technician and State Economist on personal leave, and as such she worked until 2003 in different public posts connected to the Directorate General of the Treasury and Financial Policy, where she also held the position of General Manager of the Treasury. She also was <i>nata</i> Director of the CNMV and the Bank of Spain.</p> <p>At last, she has had significant international experience by being, among others, a representative member of Spain on Committees of the European Union and Director of the subsidiary of Bankinter in Luxembourg.</p>
<p>Cendoya Aranzamendi, Andoni</p>	<p>Born in in Deba (Gipuzkoa), he holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and Chairman of the Appointments Committee and of the Remunerations Committee.</p> <p>He holds a Master's in Electrical Engineering from the Escuela de Armería in Eibar, and a Master's in Human Resources from CEREM.</p> <p>Andoni Cendoya Aranzamendi has broad experience in the industrial sector, having undertaken the majority of his career in a leading group of the aeronautical sector (the ITP Group). He also adds to his sectoral knowledge with experience in other sectors, with his role in the negotiation of restructuring the naval sector and the renewal of the bank agreement being particularly outstanding.</p>

	He has experience in the senior management of international companies, acquired during his time as the Executive Director of Human Resources of the ITP Group, where he was also a member of the Management Committee of the Group. He also has experience in the management of international companies, as he was part of the management team of ITP's subsidiaries in England and Mexico. Specifically, he started up the operations of the latter.
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Total number of independent directors	7
Total % of the board	58,33

Indicate if any director qualified as independent receives from the Company, or from its same Group, any amount or benefit for an item other than remuneration as director or maintains or has maintained, throughout the past year, a business relationship with the Company or any other company of its Group, whether in his/her name or as a significant shareholder, director or senior manager of an entity which maintains or would have maintained this relationship.

Where applicable, a reasoned statement from the Board on the reasons why it considers this director can perform its duties as an independent director shall be included.

Director's name or company name	Relationship description	Reasoned statement

OTHER EXTERNAL DIRECTORS

Other external directors will be identified and the reasons because they cannot be considered external proprietaries or independents and its entails, with the company, its managers, or its shareholders, will be detailed:

Director's name or company name	Reasons	Company, manager or shareholder with whom the entail is maintained

Total number of other external directors	0
Total % of the board	0

Indicate the variations which, where applicable, have occurred during the period in each director category:

Director's name or company name	Date of the change	Previous category	Current category

See note (C.1.3) in Section H of this report.

C.1.4 Fill out the following table with the information related to the number of female board members at the closing of the last 4 years, as well as the category of each one:

	Number of female board members				% of the total directors of each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0%	0%	0%	0%
Proprietary	1	2	1	1	33.33%	66.67%	50%	50%
Independent	1	1	0	0	14.29%	14.29%	0%	0%
Other External	0	0	0	0	0%	0%	0%	0%
Total:	2	3	1	1	16.67%	25%	10%	10%

C.1.5 Explain the measures that, where applicable, were adopted to include a number of women on the Board of Directors which permits reaching a balanced presence of men and women.

Explanation of the measures
<p>The erstwhile Appointments Committee actively seeks, either directly or with external advice from outsourced companies, to include candidates in the different Director selection processes in adherence to the guidelines included in the "Director Selection Policy" approved by the Board of Directors on 23 September 2015.</p> <p>During 2016, four new directors were appointed, who are detailed as follows, thus her appointments are conditional on registration of the public deed of Merger between GAMESA and SIEMENS WIND HOLDCO, S.L. (Sociedad Unipersonal) ("Siemens Wind Holdco") with the Commercial Registry of Bizkaia:</p> <ul style="list-style-type: none"> - Ms. Rosa María García García, as non-executive proprietary director. - Ms. Mariel von Schumann, as non-executive proprietary director. - Ms. Lisa Davis, as non-executive proprietary director. - Ms. Swantje Conrad, as non-executive independent director.

After the new appointments and taking into account the corporate governance issues included in the Shareholders' Agreement (see section A.6) after the effectiveness of the Merger the Board of Directors will be made up of 46% of women. These appointments positions the Company over the target of 30% women directors on the Board of Directors by 2020, as included in the Policy on selecting Directors (section 4.c)) and in Recommendation 14 of the Code of good governance for listed entities approved by the CNMV on 18 February 2015 (the "Good Governance Code"). Likewise, article 7.5 of the Regulations of the Appointments Committee contemplates that the duties of the Committee include *"establishing a representation target for the gender least represented in the Board of Directors and drawing up various guidelines on how to reach them."*

- C.1.6 Explain the measures that, where applicable, the Appointment Committee agreed on so the selection procedures do not suffer from any implicit discriminatory bias which interfere with selecting female directors, and that the Company deliberately seeks and includes among the potential candidates, women who meet the sought after professional profile:

Explanation of the measures
<p>The Appointments Committee, in application of Article 14 of the Regulations of the Board of Directors, has established that director selection criteria shall entail recognized reputation/credibility, solvency, competence and experience, procuring that female candidates meeting this profile are selected in this selection process.</p> <p>Article 7.4 of the Regulations of the Appointments Committee stipulates also a further duty of the Committee, namely <i>"guaranteeing that the selection procedures are safeguarded from any implicit bias that could entail discrimination"</i>.</p> <p>Section 4 c) of the "Policy on selecting Directors" approved by the Board of Directors on 23 September 2015 likewise states that <i>"the selection of directors must be safeguarded from any implicit bias that could entail discrimination of any sort and, in particular, interfere in the selection of female directors"</i>.</p>

When, despite the measures adopted, where applicable, the number of female board members is little or null, explain the reasons which justify this:

Explanation of the reasons
N/A

C.1.6 bis Explain the conclusions of the Appointments Committee regarding the verification of compliance with the director selection policy. And, in particular, how this policy is promoting attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The Appointments Committee arrived at the following conclusions in 2016 insofar as verification of compliance with the Director Selection Policy:

- The Company has fulfilled the law, Gamesa's Corporate Governance Rules and the recommendations of the good governance Code in its Directors' selection and appointment processes.
- More precisely, the Appointments Committee has expressly verified that the selection of candidates and their following appointments as members of the Board of Directors during 2016 has been carried out according to the "Policy on selecting Directors" approved by the Board of Directors in its session held on 23 September 2015.
- The Company shall continue improving the application of the principles and applicable good governance rules in this matter and promote the selection of directors with independent profiles having international professional experience, specialized and solvent in the business areas of Gamesa.
- Regarding the diversity of gender in the composition of the Board of Directors, after the appointments of women as Directors approved in the Extraordinary General Meeting, Gamesa does not just comply with the objective to have women representing at least 30% for 2020, but at the moment of the effectiveness of those appointments (with the registration of the Merger public deed in the Commercial registry of Bizkaia) the Company will have 46% of women as members of the Board of Directors.

C.1.7 Explain the form of representation on the Board of shareholders with significant shareholdings.

Shareholders holding significant stock are represented on the Board of Directors as Non-Executive Proprietary Directors. According to article 11 of the Regulations of the Board of Directors of GAMESA, directors are categorized into "(a) executive directors; and (b) non-executive directors. Non-executive Directors may also be Independent, Proprietary or other External Directors.

The status of each Director will be determined in accordance with legal provisions and must be explained by the Board of Directors before the General Shareholders Meeting that will carry out or approve their appointment and confirm or, where applicable, revise it annually in the Annual Corporate Governance Report after being verified by the Appointments and Remuneration Committee."

Moreover, it should be mentioned that article 9.4 of the Regulations of the Board of Directors states that "*the Board of Directors shall ensure that proprietary and independent directors are integrated in the majority group of non-executive directors, maintaining a balance regarding the complexity of the Group, the ownership structure of the company, the absolute and relative importance of significant shares, as well as the degree of continuity, commitment and strategic links with the holders of these stocks in the company.*"

Further, article 13.4 of the cited Regulations establishes that "*the provisions set forth in this chapter shall be binding notwithstanding the full freedom of the General Shareholders Meeting to decide on the appointment of directors.*"

Currently, Ms. Sonsoles Rubio Renosa is an external proprietary female director, appointed on 14 December 2011 by motion of Iberdrola, S.A. and last re-elected at the General Shareholder Meeting on 22 June 201.

Mr. Francisco Javier Villalba Sánchez is an external proprietary director, appointed on 25 February 2015 by motion of Iberdrola, S.A. and last re-elected at the General Shareholders Meeting on 8 May 2015.

Mr. Gerardo Codes Calatrava is an external proprietary director, appointed by cooption on September 14, 2016 by motion of Iberdrola, S.A. as substitute of Ms. Gema Góngora Bachiller and last re-elected at the Extraordinary General Shareholders' Meeting on October 25, 2016.

See note (C.1.7) in Section H of this report.

- C.1.8 Explain, where applicable, the reasons for which the proprietary directors were appointed by the motion of shareholders whose shares are less than 3% of the capital:

Shareholder's name or company name	Reason

Indicate whether or not formal requests for presence on the Board from shareholders whose shares are equal to or greater than that of others whose motion would have designated proprietary directors were taken into account. Where applicable, explain the reasons why they were not taken into account:

Yes

No

Shareholder's name or company name	Explanation

C.1.9 Indicate if any director has resigned from his/her position before the end of his/her term, if said director explained his/her reasons and how, to the Board of Directors, and, if done in writing, at least explain the reasons given below:

Director name	Reason for resignation
Góngora Bachiller, Gema	Personal reasons

C.1.10 Indicate, if they exist, the powers delegated to him/her or the executive director/s:

Director's name or company name	Brief description
Martín San Vicente, Ignacio	The Board of Directors of GAMESA., in its meeting on June 22, 2016, unanimously agreed, after a favorable report from the Appointment Committee, to re-elect Mr. Ignacio Martín San Vicente as Chairman and CEO of the Company delegating all powers to him which, according to the law and the by-laws correspond to the Board of Directors, except those which cannot be delegated by the law and by-laws, an appointment which was accepted by Mr. Martín San Vicente in the same act.

C.1.11 Identify, where applicable, the board members who assume positions as administrators or managers in other companies which are part of the listed company's group:

Director's name or company name	Company name of the entity in the group	Position	Has executive functions?

C.1.12 Detail, where applicable, the directors of its company which are members of the Board of Directors of other listed entities in official security markets different from its group, which the Company has been notified of:

Director's name or company name	Company name of the listed entity	Position
Arregui Ciarsolo, Juan Luis	ENCE ENERGÍA AND CELULOSA, S.A.	Chairman
	CARTERA INDUSTRIAL REA, S.A.	Vice Chairman 1º
Lada Díaz, Luis	INDRA SISTEMAS, S.A.	Director
	ENCE, ENERGÍA Y CELULOSA, S.A.	Director
Aldecoa Sagastasoloa, José María	VISCOFAN, S.A.	Director

C.1.13 Indicate and, where applicable, explain whether or not the Board of Directors' Regulations has established rules on the maximum number of companies' boards its directors may be a part of:

Yes

No

Explanation of the rules
<p>Article 10 of the Board of Director's Regulations establishes rules on the maximum number of companies' boards its directors may be a part of:</p> <p>"Article 10. Incompatibilities for becoming a Director</p> <p><i>The following individuals cannot be Directors or, where applicable, natural person representatives of a Legal Entity Director:</i></p> <p>(..)</p> <p><i>b) Any individual acting in the position of administrator of three or more companies whose shares are traded in domestic or foreign securities markets.</i></p> <p>(...)"</p>

C.1.14 Repealed paragraph.

C.1.15 Indicate the overall remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousands of euros)	5,273
Amount of the rights accumulated by the current directors regarding pensions (thousands of euros)	1,050
Amount of the rights accumulated by the former directors regarding pensions (thousands of euros)	150

See note (C.1.15) in Section H of this report.

C.1.16 Identify the members of Senior Management who are not also executive directors, and indicate the total accrued remuneration in their favor throughout the year:

Name or company name	Position(s)
Etxeberría Muguruza, Xabier	Executive General Director
Cortajarena Manchado, José Antonio	General Corporate Director and General Secretary
Artazcoz Barnea, Ignacio	Financial General Director
Mesonero Molina, David	Business Development Director
Zarza Yabar, Félix	Internal Audit Director

Total remuneration for Senior Management (in thousands of euros)	7,166
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See note (C.1.16) in Section H of this report.

.1.17 Indicate, where applicable, the identity of the board members which, at the same time, are members of the Board of Directors of other significant shareholder companies and/or entities of its group:

Related board member's name or company name	Related, significant shareholder's name or company name	Relationship description

Detail, where relevant, the relevant relationships different from those in the previous paragraph, of the members of the Board of Directors which relate them to other significant shareholders and/or in entities of its group:

Related board member's name or company name	Related, significant shareholder's name or company name	Relationship description
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.	Compliance Director
Villalba Sánchez, Francisco Javier	IBERDROLA, S.A.	General Director of Networking Business of the Iberdrola group
Codes Calatrava, Gerardo	IBERDROLA, S.A.	Director of Global Regulation Legal Services and Corporate Affairs

See note (C.1.17) in Section H of this report.

C.1.18 Indicate if any amendment was made to the Board's regulations during the year:

Yes

No

Amendment description

C.1.19 Indicate the selection, appointment, re-election, evaluation and resignation of board members procedures. Detail the competent bodies, processes to be followed and the criteria to be used in each procedure.

Selection and appointment procedure:

Article 30 of the Gamesa Bylaws states that the members of the Board of Directors are "appointed or ratified by the General Shareholders Meeting" with the provision that *"if during the period for which they were appointed, the board members leave their positions, the Board of Directors may designate, from among the other shareholders, individuals who should occupy them until the next General Shareholders Meeting"*, always in accordance with the provisions contained in the applicable Corporate Enterprises Act and Company Bylaws.

Moreover, in accordance with article 13.2 of the Regulations of the Board of Directors, proposals for appointing directors submitted by the Board of Directors to the General Shareholders Meeting for consideration and the appointment decisions adopted following the co-option procedure must be preceded by: (a) for Independent Directors, a proposal from the Appointments Committee; and (b) in other cases, a report from the cited committee. In this regard, article 13.3 of the cited regulations states that when the Board of Directors declines the proposal or the report from the Appointments Committee mentioned in the above section, it must justify doing so and include a record of it in the minutes.

Further, article 13.4 of the cited Regulations of the Board of Directors states that *"the provisions set forth in this chapter shall be binding notwithstanding the full freedom of the General Shareholders Meeting to decide on the appointment of directors."*

Finally, article 14 of the cited regulations states that the Board of Directors and Appointments Committee, shall make an effort, within the sphere of their competencies, to ensure that the proposal and election of candidates falls on individuals of renowned reputation, solvency, competence and experience, adding that *"for legal entity directors, the natural person representing it in the performance of the duties related to the position will be subject to the conditions included in the previous paragraph"*.

Re-election procedure:

Article 15 of the Regulations of the Board of Directors addresses the re-election of directors in that proposals for re-electing directors submitted by the Board of Directors to the General Shareholders Meeting must be accompanied by the corresponding substantiating report as established by law. The resolution of the Board of Directors to submit the re-election of Independent Directors to the General Shareholders Meeting must be adopted upon proposal of the Appointments Committee, while the re-election of other Directors must have a prior favorable report from this committee.

In this regard, section 2 of the cited article adds that directors who are part of the Appointments Committee must abstain from taking part in the deliberations and votes that affect them.

Finally, section 3 states that *"the re-election of a Director who is part of a committee or who holds an internal position on the Board of Directors or one of its committees will determine his/her continuity in this position without requiring express re-election and notwithstanding the power of revocation which corresponds to the Board of Directors."*

Assessment procedure:

Article 25.8 of the Regulations of the Board of Directors addresses the director assessment procedure, establishing that the Board of Directors shall assess at least once yearly (a) the quality and effectiveness of its operation; (b) the performance of duties of the Chairman of the Board of Directors, and if applicable, of the CEO and Coordinating Director, based on the report submitted to the Appointments Committee; and (c) the operation of the committees based on the reports they submit to the Board of Directors.

Removal procedure:

In keeping with Company Bylaws, directors shall serve in their position for a period of four years, so long as the General Shareholders Meeting does not agree on their removal and they do not resign from their position.

Article 16 of the Regulations of the Board of Directors states that *"directors will cease their position once the period for which they were appointed has elapsed, though they may nevertheless be re-elected, and whenever the General Shareholders Meeting decides to do so as proposed by the Board of Directors or the shareholders, in the terms set forth by law."*

The removal processes and criteria shall follow the relevant provisions in the Corporate Enterprises Act and Royal Decree 1784/1996 of 19 July, which approved the Companies Register Regulation.

Finally, section 2 of article 16 of the Regulations of the Board of Directors contemplates the circumstances in which directors must offer their position to the Board of Directors and formalize their resignation, should the Board sees fit to do so, subject to a report from the Appointments Committee.

- C.1.20 Explain to which extent the annual evaluation of the Board resulted in important changes in its internal organization and the procedures applicable to its activities:

Amendment description
GAMESA has count on the support of external advisors for the assessment of the administration bodies in 2016, resulting in no changes in the internal organization and in the procedures applicable to its activities.

- C.1.20.bis Describe the assessment process and areas assessed by the board of directors with the assistance, where pertinent, of an external consultant, regarding the diversity in the composition, capacities and operations thereof; composition of the board's committees; performance of the chairman of the board of directors and chief executive officer of the company; and the performance and contribution of each director.

The assessments conducted during 2016, as well as in the two previous years were carried out with the support of external consultants. The assessment process was carried out through preparatory work sessions led by the Chairman of the Appointments Committee with the participation of the directors from the cited Committee, assistance from the Secretary of the Committee and internal areas responsible for the corporate governance of the Company, the review of minutes and internal Company documentation, and, finally, through a comparative analysis with the best practices in corporate governance.

The areas assessed for the Board of Directors and Committees were the composition, operation, implementation of capacities, discharge of duties, and the relationship with other bodies. The Chairman of the Board and CEO were assessed in the same areas regarding the role's profile, implementation of capacities, discharge of duties, and the relationship with other bodies. The individual assessment of each director examined the same aspects on the profile and implementation of capacities.

C.1.20.ter Provide a breakdown, if necessary, of the business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group.

N/A

C.1.21 Indicate the circumstances in which directors are required to resign.

As established in Article 16.2 of the Board of Director's Regulations, "*directors or the natural person representing a Legal Entity Director must offer their resignation to the Board of Directors and formalize it, if the Board sees fit, subject to a report provided by the Appointments and Remuneration Committee in the following cases:*

- a) *Concerning Proprietary Directors, whenever these or the shareholder they represent cease to be the owners of significant stocks in the Company, as well as when such shareholders revoke representation.*
- b) *Concerning Executive Directors, when they are removed from the executive positions associated with their appointment as Director and, in all cases, whenever the Board of Directors considers it necessary.*
- c) *Concerning Non-executive Directors, when they join the management of the Company or of any of the companies in the Group.*
- d) *When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards.*
- e) *Whenever they are brought to trial for a supposedly criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Capital Company Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense brought by supervisory authorities.*
- f) *Whenever they are issued a serious warning by the Board of Directors or are sanctioned for a serious or very serious offense by a public authority for having breached their duties as Directors in the Company.*
- g) *Whenever their continuity on the Board of Directors could put the Company's interests at risk, or whenever the reasons for their appointment have ceased to exist.*
- h) *When, due to acts attributable to the Director acting in his/her capacity as such, cause significant damage to the Company's assets, or the reputation of the Company, or result in the loss of the business and professional reputation and credibility required for being a Director of the Company.*

See note (C.1.21) in Section H of this report.

C.1.22 Repealed paragraph.

C.1.23 Are enforced majorities other than the legal majorities required in certain kinds of decisions?

Yes

No

Where applicable, describe the differences.

Description of the differences
The Regulations of the Board of Directors (article 4.4) requires of at least two-thirds of the directors attending the meeting to pass amendment thereof (save for modifications imposed by mandatory standards, in which case a simple majority will be required to adopt the resolution).
Article 18.3 of the Regulations of the Board of Directors stipulates that in case the position of Chairman of the Board of Directors is held by an executive director, "removal from the position of this director will require the absolute majority of the members of the Board of Directors."
In addition, article 29.8 of the cited regulations states that the formalization of the contract establishing the remuneration and further terms and conditions of executive directors for the performance of management duties, must be approved by the Board of Directors with at least a favorable vote of two-thirds of its members.

C.1.24 Explain if there are specific requirements, other than those regarding directors, to be appointed chairman of the Board of Directors.

Yes

No

Description of the requirements

C.1.25 Indicate if the chairman has a casting vote:

Yes

No

Matters in which there is a casting vote
Article 32.4 of the By-Laws and article 28.2 of the Board of Director's Regulations establishes that " <i>in the event of a tie, the Chairman will have the casting vote.</i> "

C.1.26 Indicate if the by-laws or the Board of Director's Regulations establish a limit for the age of directors:

Yes

No

Chairman age limit

CEO age limit Director age limit

C.1.27 Indicate if the by-laws or the Board's Regulations establish a limited term for independent directors, other than that established in the legislation:

Yes

No

Maximum number of term years	
-------------------------------------	--

C.1.28 Indicate if the bylaws or regulations of the board of directors establish specific standards for awarding a proxy vote on the board of directors, how to do so and, specifically, the maximum number of awarded proxy votes a director can have, as well as whether there is any limitation insofar as the categories that can be delegated in addition to the limitations imposed by legislation. Where applicable, detail these standards briefly.

Article 25.3 of the Regulations of the Board of Directors states that "*directors must attend the sessions held. However, Directors may cast their vote in writing or delegate in writing their representation to another Director, specifically for each meeting, and the number of representations that each Director can receive is not limited. Non-executive directors may only delegate representation to other non-executive directors.*"

For the purposes of delegating votes, in all calls of the Board of Directors, the specific proxy award model for that meeting and, where applicable, voting instructions if deemed necessary by the representee are included in compliance with Article 32.2 of the by-laws of GAMESA "*Any director may cast his/her vote in writing or confer his/her representation to another director, specifically for each meeting. Non-executive directors may only do so with other non-executive directors.*"

C.1.29 Indicate the number of meetings held by the Board of Directors throughout the year. Also indicate, where applicable, the times the board has met without the attendance of its chairman. Representations made with specific instructions shall be considered attendances in the calculation.

Number of board meetings	17
Number of board meetings without attendance of the chairman	0

If the chairman is executive director, indicate the number of meetings held, without the attendance or representation of any executive director and chaired by the lead independent director.

Number of meetings	0
---------------------------	---

Indicate the number of meetings held by the different board committees throughout the year:

Number of meetings of the Executive Committee	10
Number of meetings of the Audit Committee	16
Number of meetings of the Appointment and Remuneration Committee	--
Number of meetings of the Appointment Committee	6
Number of meetings of the Remuneration Committee	8
Number of meetings of the _____ committee	

C.1.30 Indicate the number of meetings held by the Board of Directors throughout the year which all of its members attended. Representations made with specific instructions shall be considered attendances in the calculation:

Number of meetings with the attendance of all directors	14
% of attendances of the total votes throughout the year	98,53%

See note (C.1.30) in Section H of this report.

C.1.31 Indicate if the individual and consolidated annual financial statements presented to the Board for their approval are previously certified:

Yes

No

Identify, where applicable, the person/people who certified the company's individual and consolidated annual financial statements for them to be drawn up by the Board:

Name	Position

- C.1.32 Explain, if there were any, the mechanisms put in place by the Board of Directors to keep its drawn up individual and consolidated financial statements from being presented in the General Meeting with exceptions in the audit report.

In its article 6, the Audit and Compliance Committee Regulations, attributes the Audit and Compliance Committee, among others, the following competencies in relation to the account auditing:

"d) Serve as a channel of communication between the Board of Directors and the auditor, ensuring that the Board of Directors holds an annual meeting with the auditor to be informed on the work carried out, the evolution of the accounting position and the risks.

e) Request from the auditor on a regular basis information about the audit plan and its implementation and any other matters related to the audit process, as well as all other communications provided for in the current audit legislation.

f) Assess the results of each audit and the management team's response to its recommendations.

g) Review the content of audit reports before they are issued and, where applicable, the content of limited review reports on interim statements, ensuring that said content and the opinions expressed therein regarding the annual financial statements are drafted by the auditor clearly, precisely and without limitations or exceptions and, should any exist, explaining them to the shareholders."

Article 8 of the Audit and Compliance Committee Regulations shall also be pointed out, which details the following main functions of the aforementioned Committee in relation to the process of preparing the economic-financial information:

"a) Oversee the preparation, presentation and integrity of economic and financial information relating to the Company and its consolidated Group, as well as the correct delimitation of the latter.

b) With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.

c) Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.

d) Oversee compliance with legal requirements and the correct application of generally accepted accounting principles, and inform the Board of any significant changes in accounting criteria."

One of the main objectives of the reports from the Audit and Compliance Committee, presented before the entire Board prior to approval of the information is to point out those aspects which may be considered, where applicable, exceptions in the audit report of GAMESA and its Group, formulating, where applicable, the appropriate recommendations to prevent them.

It should also be noted that the External Auditor has appeared before the Audit and Compliance Committee on several occasions throughout the year which ended December 31, 2016:

- appearance on February 23, 2016 regarding drawing up the annual financial statements which refer to the year that ended on December 31, 2015.
- appearance on June 13, 2016 regarding the accounting impact of the merger operation with Siemens.
- appearance on June 20, 2016 regarding the recommendations to improve the system for internal control over financial information.
- appearance on July 26, 2016 regarding the limited review of transitional financial statements on June 30, 2016;
- appearance on December 15, 2016 regarding the most relevant aspects which were identified in the preliminary phase and regard the annual financial statements of the year which ended December 31, 2016.

C.1.33 Is the Board secretary a director?

Yes X

No X

If the secretary is not a member of the Board fill in the following box:

Name or company name of the secretary	Representative

See note (C.1.33) in Section H of this report.

C.1.34 Repealed paragraph.

C.1.35 Indicate, if there were any, the concrete mechanisms put in place by the Company to preserve the independence of external auditors, financial analysts, the investment banks and rating agencies.

Article 6 c) of the Audit and Compliance Committee regulates the function of the aforementioned Committee regarding the independence of the external auditors establishing the following main functions:

"c) Ensure the independence of auditors. For such purposes:

- i. It shall establish appropriate relations with the auditor in order to receive information on any matters that could jeopardize the latter's independence.*

- ii. It shall ensure that the Company, its Group and the auditor comply with the legal provisions established to assure their independence, as well as those expressly provided for in the Company's Corporate Governance Standards.*
- iii. It shall receive annually from the auditors written confirmation of its independence (both of the audit firm as a whole and the individual members of the work team) from the Company and its Group, as well as information on additional services of any kind rendered by the auditor (or its connected entities) to the Company or any company of its Group, and the corresponding fees accrued, in accordance with current auditing legislation.*
- iv. It shall issue an annual report, which it shall submit to the Board of Directors, prior to the issue of the audit report, expressing an opinion on the independence of the auditors. In particular, the report shall refer to services other than those of auditing which the auditor, or any company of its group, has rendered to the Company or its Group in the last three years, providing an individual and joint assessment thereof.*

The report shall also deliver an opinion on compliance with the rules laid down by law and the Company's Corporate Governance Standards to guarantee the independence of auditors.
- v. It shall authorize services other than those of auditing to be rendered by the auditor, insofar as the rendering of such services is permitted by law and the Company's Corporate Governance Standards.*
- vi. In the event of resignation of an auditor, the Committee shall examine the reasons behind this."*

Regarding information to the financial analysts and investment banks, the presentation of results, and other relevant documents which the Company sends, this is done for each one simultaneously after they were sent to the CNMV.

Specifically, in compliance with the Recommendation from the CNMV dated December 22, 2005, GAMESA proceeds to announce the findings with analysts and investors with a prior notice of at least seven workdays, indicating the expected date and time for holding the meeting, as well as, where appropriate, the technical means (teleconference, webcast) through which any interested party may follow it directly.

The supporting documentation for the meeting is available through the Company's website (www.gamesacorp.com) a few minutes before it starts.

Also, a direct Spanish/English translation service is made available to the participants.

Finally, the recording of the meeting is made available to the investors on the Company's website (www.gamesacorp.com) for one month.

Likewise, *road shows* are held regularly in the most relevant countries and banking centers where individual meetings are held with all market agents. Their independence is protected by the existence of a specific representative dedicated to their service, which ensures objective, equal and non-discriminatory treatment.

At last it shall be pointed out that on September 23, 2015, the Board of Directors approved a "Policy on communications and contact with shareholders, institutional investors and voting advisors" that establishes the appropriate principles and measures that shall govern the management and supervision of the information disclosed to shareholders and the markets and the relationships with the shareholders, institutional investors and proxy advisors, with the aim to protect the exercise of its rights in the frame of the corporate interest defense.

See note (C.1.35) in Section H of this report.

C.1.36 Indicate if the Company has changed external auditors during the year. Where appropriate, identify the outgoing and incoming auditor:

Yes

No

Outgoing auditor	Incoming auditor

Explain the content of disagreements with the outgoing auditor if there were any:

Yes

No

Explanation of the disagreements

C.1.37 Indicate if the auditing firm carries out other tasks for the Company and/or its Group not related to auditing and in that case, declare the amount of fees received for these tasks and the percentage imposed on the fees billed to the Company and/or its Group:

Yes

No

	Company	Group	Total
Amount for other tasks not related to auditing (thousands of euros)	44	101	145
Amount for tasks not related to auditing / Total amount billed by the auditing firm (in %)	2.49	5.70	8.19

C.1.38 Indicate if the report on the previous year's annual financial statements audit contains reservations or exceptions. Where appropriate, indicate the reasons given by the Audit Committee Chairman to explain the content and scope of these reservations or exceptions.

Yes

No

Explanation of the reasons

C.1.39 Indicate the number of years which the current auditing firm has carried out the audit of the Company's and/ or its Group's annual financial statements without interruption. Likewise, indicate the percentage which represents the number of years audited by the current auditing firm over the total number of years in which the annual financial statements have been audited

	Company	Group
Number of uninterrupted years	3	3

	Company	Group
No. of years audited by the current auditing firm / No. of years that the company has been audited (in %)	11,54%	11,54%

C.1.40 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having external advice:

Yes

No

Detail of the procedure
<p>Article 36 of the Regulations of the Board of Directors establishes that the <i>"Board of Directors may request the assistance from legal, accounting and financial experts, or other external experts at the Company's expense whenever deemed necessary or beneficial for the performance of its competencies. 2. Non-executive Directors, in order to be aided in the performance of their duties, may also request contracting external experts at the Company's expense. 3. The contracting request must be drawn up by the Chairman."</i></p> <p>Similarly, article 31 of the Regulations of the Audit and Compliance Committee establishes that <i>"with a view to receiving assistance in the discharge of its duties, the Committee may request the commissioning of legal, accounting and financial consultants or other experts at the expense of the company."</i></p>

The Appointments and Remuneration Committees both contemplate identically in the respective articles 22 and 21 in their Regulations that *"with a view to receiving assistance in the discharge of its duties, the Committee may request the commissioning of legal consultants or other experts at the expense of the company."*

C.1.41 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having the necessary information for preparing the meetings of the administrative bodies with enough time:

Yes

No

Detail of the procedure

Article 26.3 of the Regulations of the Board of Directors regulates the procedure for convening the meetings of the cited body, indicated that *"ordinary meetings shall be convened by any written means that ensures correct receipt, and shall be authorized by the signature of the Chairman or the Secretary by order of the Chairman. The call to convene shall be a least three days in advance, will always include the meeting agenda and will be accompanied by the relevant information for the meeting. The Board of Directors may not make a decision if such information has not been made available to the Directors with the aforementioned three days advance notice. Directors may exceptionally adopt a decision even if the information was not made available within the aforementioned period if they consider it beneficial and no director opposes it."*

Likewise, Article 30.2 a) of the Regulations of the Board of Directors establishes that directors are required to *"diligently inform themselves and prepare the meetings of the Board of Directors and the committees of which they are members."*

Additionally, article 34 of the Regulations of the Board of Directors states that Directors *"have the right to request and the duty to call on the Company for the necessary and appropriate information for correctly discharging their duties. The right of information is also extended to the companies of the Group in the terms set forth by the law and the Corporate Governance Standards. 2. The exercise of the information powers will be channeled through the Chairman, the CEO or the Secretary of the Board of Directors."*

C.1.42 Indicate and, where appropriate detail, if the Company has established rules that require directors to inform and, where appropriate, resign in circumstances which may affect the company's credibility/standing and reputation:

Yes X

No

Explain the rules
<p>As indicated in previous Section C.1.21, Article 16 of the Regulations of the Board of Directors establishes the circumstances in which directors shall offer their position to the Board of Directors and formalize their resignation if the Board sees fit.</p> <p>These include cases which may negatively affect the company's credibility/standing and reputation.</p> <p>Specifically, the directors must proceed as indicated:</p> <ul style="list-style-type: none"> a) <i>"When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards."</i>(article 16.2.d). b) <i>"Whenever they are brought to trial for an alleged criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Corporate Enterprises Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense prosecuted by supervisory authorities."</i> (article 16.2.e). c) <i>"Whenever they are issued a serious warning by the Board of Directors or sanctioned for a serious or very serious offense by a public authority for having breached their duties as directors in the company"</i>(article 16.2.f). d) <i>"Whenever their continuity on the Board of Directors may put the Company's interests at risk (...)"</i>(article 16.2.g). e) <i>"When, due to acts attributable to the director acting in his/her capacity as such, significant damage occurs to the Company's assets or reputation of the Company, or there is a loss of business, professional reputation and credibility required for being a director of the Company"</i>(article 16.2.h). <p>Article 35.2 d) of the Regulations of the Board of Directors states that the director must inform the Company of <i>"judicial, administrative or any other kind of proceedings which are opened against the director and which, due to their importance or characteristics, may seriously affect the Company's reputation. Particularly, Directors must inform the Company, through the Chairman, if he/she is processed or a court ruling is passed against him/her regarding the opening of trial for any of the offenses contemplated in Article 213 of the Corporate Enterprises Act. In such cases, the Board of Directors will examine the case as soon as possible and make the decisions it considers to be most appropriate regarding the interests of the Company."</i></p>

C.1.43 Indicate if any member of the Board of Directors has informed the Company that he or she has been involved in judicial proceedings or a court ruling has been passed against him/her for the opening of trial for any of the offenses mentioned in Article 213 of the Capital Companies Law:

Yes

No

Director name	Criminal case	Observations

Indicate if the Board of Directors has analyzed the case. If the response is yes, reasonably explain the decision made on whether or not the director continues in his/her position or, where appropriate, state the actions taken by the Board of Directors to the date of this report or that are planned.

Yes

No

Decision made/action taken	Reasonable explanation

C.1.44 Detail the significant agreements the Company has entered into which enter into force, whether amended or terminated if the Company's control is changed due to a public acquisition bid, and its effects.

In accordance with the framework agreement undersigned on December 21, 2011 (Significant Event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L. Unipersonal, the supposed change of control at GAMESA CORPORACIÓN TECNOLÓGICA, S.A. shall permit IBERDROLA, S.A. to terminate the framework agreement, without the parties having something of which to make a claim for this termination.

Likewise, in accordance to the Joint Venture agreement signed on July 7, 2014 (Significant event number 208151) between AREVA, S.A. and GAMESA CORPORACIÓN TECNOLÓGICA, S.A., among other companies in their respective groups, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. in favor of a competitor shall enable the parties of the AREVA group to finish the agreement, situation that may lead to the sale to AREVA of the participation owned by GAMESA in the Joint Venture or, as last instance, the dissolution and liquidation of the aforementioned Joint Venture company.

Lastly, on 17 December 2015, Gamesa Energía, S.A.U. (as purchaser) and GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L.; INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U.; CAF POWER & AUTOMATION, S.L.U.; and FUNDACION TECNALIA RESEARCH & INNOVATION (as sellers) signed a Stock Purchase Agreement bound to suspensory conditions regulating the acquisition of 50% of NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L. (NEM). The suspensory condition was the authorization of the CNMV and Competition Authorities as established in article 7.1.c) of the Spanish Competition Act (Law 15/2007 of 3 July). On the same date, and with a view to regulating the relationship of Gamesa Energía and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF) as future partners of NEM (as the case may be) the parties signed a Partnership Agreement. By virtue of the provisions established in the referred Partnership Agreement, in case of a possible change in the control of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., Gamesa Energía, S.A.U. must offer the remaining partners direct purchase of stock in NEM.

See note (C.1.44) in Section H of this report.

- C.1.45 Identify in an aggregated manner and indicate, in a detailed manner, the agreements between the companies and its administrative and management positions or employees which have severance pay, guarantee or redundancy clauses when they resign or are fired unjustly or if the contractual relationship ends due to a public acquisition bid or other kind of operations.

Number of beneficiaries	23
Type of beneficiary	Description of the agreement
CEO, Senior Management and Managers	A severance pay of a different amount is recognized based on the specific position occupied by the beneficiary, which mainly ranges from 12 to 24 months of fixed remuneration and the last received annual variable remuneration. This severance pay essentially applies to cases of termination for causes not attributable to the beneficiary and cases in which control of the Company changes.

Indicate if these contracts must be communicated and/or approved by the bodies of the Company or of its Group:

	Board of Directors	General Meeting
Body which authorizes the clauses	X	

	YES	NO
Is the Board informed of the clauses at the General Meeting?	X	

See note (C.1.45) in Section H of this report.

C.2 Committees of the Board of Directors

C.2.1 Detail all committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors on them:

EXECUTIVE COMMITTEE

Name	Position	Category
Martín San Vicente, Ignacio	Chairman	Executive
Arregui Ciarsolo, Juan Luis	Member	Independent External
Aldecoa Sagastasoloa, José María	Member	Independent External
Lada Díaz, Luis	Member	Independent External
Codes Calatrava, Gerardo	Member	Proprietary External

% of executive directors	20%
% of proprietary directors	20%
% of independent directors	60%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

Article 23 of the Regulations of the Board of Directors states that the Board of Directors may constitute a Delegated Executive Committee "*with all or some of the inherent powers of the Board of Directors, save powers that cannot be delegated by law or in accordance with the Corporate Governance Standards.*"

However, as an exception to the foregoing and as contemplated under article 8 of the cited regulations, when duly justified urgent circumstances arise, and as allowed by law, the Delegated Executive Committee may adopted decisions on matters reserved for the Board of Directors, which must be ratified at the first meeting held by the Board of Directors after making the decision.

Organization:

- a) It shall comprise the number of Directors as decided upon by the Board of Directors, upon the proposal of the Appointments and Remuneration Committee, with a minimum of four (4) and a maximum of eight (8) Directors.

- b) The Board of Directors shall ensure, to the extent possible and in view of the Company's circumstances, that the shareholding structure of the director categories is similar to the Board of Directors' structure.
- c) The appointment of its members and the permanent delegation of powers thereto shall be done by the Board of Directors, and requires a favorable vote of at least two thirds of the Directors. The Board of Directors shall decide when, how and to what extent the Committee members are renewed.
- d) The Chairman and the CEO, if one exists, shall be members of the Committee.
- e) The meetings shall be presided over by the Chairman of the Board of Directors or, in the absence thereof, the director appointed by the Committee. This role will also be secretary of the Board of Directors, though in his/her absence, the Vice Secretary or, in the absence thereof, the individual designated by the Committee, who need not be a director, shall sit as secretary.

Operation:

- a) It will meet as frequently as deemed appropriate by its chairman and, at least, every two (2) months. Meetings will be held whenever a minimum of two of the members so request.
- b) Agreements shall be adopted by an absolute majority of present and represented votes. In case of a tie, the Chairman shall have the casting vote.
- c) The Board of Directors must be informed during its first meeting after said meetings, of the items discussed, the decisions adopted and will send it a copy of its minutes.

Most significant actions:

The Delegated Executive Committee has discharged its duties according to the internal rules and regulations of the Company, underscoring its approval to the Board of Directors for matters that, while not constituting capacities that could not be delegated to the Board, could have been handled by the Delegated Executive Committee.

Indicate if the composition of the Executive Committee reflects the shareholding of different directors according to their condition on the Board:

Yes X

No

If no, explain the composition of your Executive Committee

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
Hernández García, Gloria	Chairman	Independent External
Rubio Reinoso, Sonsoles	Member	Proprietary External
Vázquez Egusquiza, José María	Member	Independent External
Aracama Yoldi, José María	Member	Independent External

% of executive directors	0%
% of proprietary directors	25%
% of independent directors	75%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

Gamesa's Audit and Compliance Committee is a permanent internal body of the Board of Directors for information and consultation, entrusted with informing, advising and making recommendations.

Articles 5, 6, 7 8, 9, 10, 11 and 12 in chapter II of the Regulations of the Audit and Compliance Committee establish the duties of this committee. The full text of Company internal rules and regulations are available at www.gamesacorp.com

The duties of the Audit and Compliance Committee primarily refer to the oversight of the Company's internal audit, at the revision of the internal control systems for drawing up economic-financial information, auditing accounts and compliance in the terms established in its regulations.

Organization:

- a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.
- b) Members of the Executive Committee cannot be on the Audit and Compliance Committee.
- c) The Board will procure that at least one of the appointed independent directors has knowledge and experience in accounting, auditing or both.

- d) The Committee shall appoint a Chairperson among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.
- e) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.
- f) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

- a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.
- b) It shall be validly constituted when more than half of its members are present or represented at the meeting.
- c) Agreements shall be adopted by the absolute majority of members present at the meeting.
- d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

Articles 5 through 12 of the Regulations of the Audit and Compliance Committee and Article 529 quaterdecies of the Corporate Enterprises Act limit the duties of the Audit and Compliance Committee. During 2016, the Audit and Compliance Committee was informed of all the matters within its capacity and, in this context, has satisfactorily discharged the duties assigned by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations. It shall be pointed out that one of the most significant actions during the fiscal year has been the release of its report about the merger of Gamesa with Siemens Wind Holdco in fulfillment of article 12 j) of the Audit and Compliance Committee Regulations and of the recommendation 44 of the Good Governance Code.

Identify the director member of the Audit Committee that has been appointed taking into account his/her knowledge and experience in accountancy, auditing or in both and inform about the number of years that the Chairman of this Committee is in his/her post.

Name of the director with experience	Gloria Hernández García
Number of years of the chairman in the post	Since May 27, 2015

APPOINTMENTS COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Aracama Yoldi, José María	Member	Independent External
Villalba Sánchez, Francisco Javier	Member	Proprietary External

% of executive directors	0%
% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

This committee is an internal body of the Board of Directors for information and consultation, albeit with no executive functions, entrusted with informing, advising and making recommendations regarding matters within its capacities.

Articles 5, 6 and 7 in chapter II of the *Regulations of the Appointments Committee* establish the duties of the Appointments Committee. In particular, the primary function of the Committee is to oversee the composition and functioning of the Company's Board of Directors and Senior Management.

The full text of Company internal rules and regulations are available at www.gamesacorp.com

Organization:

- a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.

- b) A Chairperson shall be appointed among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.
- c) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.
- d) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

- a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.
- b) It shall be validly constituted when more than half of its members are present or represented at the meeting.
- c) Agreements shall be adopted by the absolute majority of members present at the meeting.
- d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2016 the Appointment Committee was informed of all the matters of its capacity and, in this context, satisfactorily discharged with the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations. It shall be pointed out as one of the most significant actions of the Appointment Committee during 2016 the selection of new Directors and in particular, the selection of the Directors whose appointment was submitted to approval at the Extraordinary Shareholders' General Meeting on October 25, 2016.

REMUNERATION COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Arregui Ciarsolo, Juan Luis	Member	Independent External
Villalba Sánchez, Francisco Javier	Member	Proprietary External

% of executive directors	0%
% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

This committee is a permanent internal body of the Board of Directors for information and consultation, entrusted with informing, advising and making recommendations.

Articles 5 and 6 in chapter II of the *Regulations of the Remuneration Committee* establish the duties of the Remuneration Committee. In particular, the essential function of the Remuneration Committee is to oversee the remuneration of the Company's Board of Directors and Senior Management.

The full text of Company internal rules and regulations are available at www.gamesacorp.com

Organization:

- a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments Committee.
- b) A Chairperson shall be appointed among the independent directors for a maximum 4-year term, after which he/she may not be re-elected as chairperson until one year has elapsed since conclusion of said term; and a Secretary shall also be appointed, though this officer need not be a Director.
- c) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that office, if this means the number of independent directors on the Committee is less than two; and c) when agreed on by the Board of Directors.
- d) Directors sitting on the Committee who are re-elected as Directors of

the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

- a) It shall meet as often as necessary to perform its duties, at the Chairman's behest. Meetings shall also be held whenever two of the members so request.
- b) It shall be validly constituted when more than half of its members are present or represented at the meeting.
- c) Agreements shall be adopted by the absolute majority of members present at the meeting.
- d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he/she must leave the meeting until the decision is made, being removed from the number of members of the Committee, to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2016 the Remuneration Committee was informed of all the matters of its capacity and, in this context, satisfactorily discharged with the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the committee's organizational and operating regulations.

See note (C.2.1) in Section H of this report.

C.2.2 Fill out the following table with the information related to the number of female board members on the Board of Directors' committees over the closing of the last four years:

	Number of female board members							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	1	20.00%	1	20.00%
Audit and Compliance Committee	2	50.00%	2	50.00%	1	25.00%	1	33.33%
Appointment Committee	0	0.00%	0	0.00%	N/A		N/A	
Remuneration Committee	0	0.00%	1	33.33%	N/A		N/A	

C.2.3 Repealed paragraph.

C.2.4 Repealed paragraph.

C.2.5 Indicate, where appropriate, the existence of regulations for the Board's committees, the place where they can be reached for consultation, and amendments made throughout the year. In turn, it shall be indicated whether an annual report on the activities of each committee was drawn up voluntarily.

Audit and Compliance Committee

The Audit and Compliance Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Audit and Compliance Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Regulations of the Audit and Compliance Committee were approved by the Gamesa Board of Directors on 29 September 2004 and subsequently amended on 21 October 2008. A new revised text was approved on 15 April 2011 and subsequently amended on 20 January 2012. Finally, the Company's Board of Directors approved the currently valid version of the revised text of these regulations on 24 March 2015.

In accordance with Article 12 g) of the Regulations of the Audit and Compliance Committee, this committee has the duty to draw up an annual report on its activities, submitting it to the Board of Directors for approval and subsequently made available to the shareholders at the time of notice of the Ordinary General Shareholders Meeting.

Appointments Committee

The Appointments Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Appointments Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Appointment Committee Regulations were approved by the Board of Directors of Gamesa on December 16, 2015.

Article 18 of the Regulations of the Appointments Committee establishes the obligation of said committee to draw up a yearly report on its activities to be made available to Company shareholders and investors following approval thereof by the Board of Directors at the call to convene the ordinary General Shareholders Meeting.

Remuneration Committee

The Remuneration Committee is regulated in the Bylaws, Regulations of the Board of Directors and Regulations of the Remuneration Committee, which has been posted and thus available to anyone interested on the Company's website (www.gamesacorp.com).

The Remuneration Committee Regulations were approved by the Board of Directors of Gamesa on December 16, 2015.

Article 17 of the Regulations of the Remuneration Committee establishes this committee's duty to draw up a yearly report of its activities that will be made available to Company shareholders and investors following approval by the Board of Directors, for the call to convene the ordinary General Shareholders Meeting.

See note (C.2.5) in Section H of this report.

C.2.6 Repealed paragraph.

D RELATED PARTY TRANSACTIONS AND INTERGROUP TRANSACTIONS

- D.1 Explain, where appropriate, the procedure for approving related party transactions and intergroup transactions.

Procedure for approving related party transactions
<p>Article 33 of the Regulations of the Board of Directors, which regulates the transactions of the Company with shareholders holding significant stock and directors, establishes that <i>"the performance of any transaction by the Company with Directors or shareholders with significant participation, or who have proposed the appointment of any Director of the Company, is subject to the approval of the Board of Directors or the General Shareholders Meeting following a report from the Audit and Compliance Committee and in the terms established by law.</i></p> <p><i>If there are transactions that fall within a general line of business and are of a habitual or recurring nature, a general and prior authorization of the line of transactions by the Board of Directors will suffice.</i></p> <p><i>Transactions must be made in market conditions and in observance of the principle of equal treatment of shareholders."</i></p> <p>In this regard, article 12 a) of the Regulations of the Audit and Compliance Committee refers to the report that the Audit and Compliance Committee must submit with the operations or transactions that could represent a conflict of interests.</p>

- D.2 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the Company's significant shareholders:

Significant shareholder's name or company name	Name or company name of the company or entity of its group	Type of relationship	Type of transaction	Amount (thousands of euros)
IBERDROLA, S.A.	GAMESA EÓLICA, S.L.U.	Contractual	Sale of assets	596,662

See note (D.2) in Section H of this report.

- D.3 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the company's administrators or managers:

Name or company name of the administrators or managers	Name or company name of the related party	Relation	Type of transaction	Amount (thousands of euros)

- D.4 Report on the significant transactions made by the Company with other entities belonging to the same group, whenever they are not deleted in the process of drawing up the consolidated financial statements and do not form part of the normal traffic of the Company regarding its purpose and conditions.

In any case, any intergroup transaction made with entities established in countries or regions which are considered a tax haven shall be reported:

Company name of the entity in its group	Brief description of the transaction	Amount (thousands of euros)

See note (D.4) in Section H of this report.

- D.5 Indicate the amount of transactions made with other related parties.

97,704 thousand euros.

See note (D.5) in Section H of this report.

- D.6 Detail the mechanisms put in place to detect, determine and resolve any conflicts of interest between the Company and/or its Group, and its directors, executives or significant shareholders.

Mechanisms:

a) Possible conflicts of interest between the Company and/or its Group, and its directors:

Article 31 of the Regulations of the Board of Directors regulates the conflicts of interest between the Company or any other company of its Group and its directors. In particular, paragraphs 1 and 2 define the situations in which a director has a conflict of interest and lists persons who, given that they are considered linked thereto, could generate situations of conflicts of interest.

Likewise, the following sections in this article regulate the mechanisms for resolving situations of conflict of interest. In particular, paragraphs 3 and 4 establish that any director finding himself/herself in a situation of conflict of interest or who notices the possibility thereof shall notify it to the Board of Directors through its chairman and refrain from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters affecting the conflict. The votes of Directors affected by the conflict and who, therefore, had to abstain, will not be taken into account for calculating the required majority of votes to adopt a corresponding resolution.

The following paragraph in article 31 of the Regulations of the Board of Directors clarifies that "in unique cases, the Board of Directors or the General Shareholders Meeting, as appropriate and in accordance with the terms provided by law, may waive the prohibitions arising from the duty to avoid conflicts of interest". Further, paragraph specifies that such waive shall follow the corresponding report from the (a) Audit and Compliance Committee on the operation vulnerable to a potential conflict of interest, proposing the adoption of an agreement in this regard, or from the (b) Appointments or Remuneration Committee when referring to waiving the performance of contractual obligations.

Paragraph 7 of the cited article states that "the Chairman of the Board of Directors must include the transaction and the conflict of interest in question on the agenda of the next corresponding meeting of the Board of Directors so that it may adopt a resolution as soon as possible regarding the issue, on the basis of the report drawn up by the corresponding committee, deciding whether to approve the transaction, or the alternative that may have been proposed, as well as the specific measures to be adopted."

Finally, paragraphs 8 and 9 states that the Company's annual corporate governance report shall include conflict-of-interest situations involving directors or persons related thereto, and that the report of the annual financial statements shall detail the operations in conflict of interest that have been authorized by the Board of Directors, as well as any other existing conflict of interest pursuant to the provisions of current legislation during the financial year of the financial statements.

b) Possible conflicts of interest between the Company and/or its Group, and its managers:

Company and Group senior management and professionals who, given their activities or information to which they may have access, are classified as Affected Persons (as defined in article 6 of Gamesa's Internal Regulations for Conduct in the Securities Markets) by the Ethics and Compliance Division, will be subject to the Internal Regulations for Conduct in the Securities Markets, whose most recently revised version was approved on 24 March 2015.

In this regard, article 20 of the Internal Regulations for Conduct in the Securities Markets establishes that managers and professionals considered to be Affected Persons must immediately inform their supervisor or senior manager or the Ethics and Compliance Division of situations that could potentially give rise to a conflict of interest and keep such bodies permanently up to date with regard to said situations. Any concerns regarding the actual existence of a conflict of interest must be addressed with the Ethics and Compliance Division.

c) Possible conflicts of interest between the company and/or its group and significant shareholders:

The procedure for resolution of conflicts of interest with significant shareholders is stipulated in article 33 of the Regulations of the Board of Directors, according to which any operation between the Company and a significant shareholder "is subject to the approval of the Board of Directors or the General Shareholders Meeting following a report from the Audit and Compliance Committee and in the terms established by law."

The cited article states that if the previous transactions fall within the ordinary course of business and are of a regular or recurring nature, "a generic and prior authorization of the line of transactions by the Board of Directors will suffice."

In any case, "transactions must be made in market conditions and in observance of the principle of equal treatment of shareholders."

d) Relationships of the directors and/or significant shareholders with companies of the Group:

Article 37 of the Regulations of the Board of Directors states that the obligations referred to in Chapter IX therein regarding Company directors and shareholders holding significant stock shall also be construed as applicable, similarly, insofar as the possible relationships between Gamesa and companies integrated in the Group.

D.7 Do you list more than one company of the Group in Spain?

Yes

No

Identify the subsidiary companies listed in Spain:

Listed subsidiary companies

Identify if the respective areas of activity and possible business relationships between them, as well as relationships between the listed subsidiary and other Group companies have been accurately and publicly defined;

Yes

No

Define any business relationships with the parent company and listed subsidiary company, and between it and other companies of the Group

Identify the mechanisms in place for resolving any conflicts of interest between the listed subsidiary and other companies of the Group:

Mechanisms for resolving possible conflicts of interest

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System, including tax-related risks.

Gamesa has some **Risk Control and Management Systems** encompassed within the standards of **Corporate Governance** within an internal benchmark framework that we refer to as **ERM** (Enterprise Risk Management). ERM is considered to be the highest level on the basis of, firstly, the guidelines established in the Regulations of the Board of Directors (Arts. 6 and 7) and of the delegated Committees thereof, primarily in the Regulations of the Audit and Compliance Committee (Arts. 9 and 11); and secondly, in international methods of recognized repute (COSO, ISO/CD 31000 and *EFQM*).

The **Risk Control and Management Systems in ERM** are promoted by the Board of Directors and Senior Management, implemented throughout the entire organization and, following the strategic globalization line of the industrial, technological and commercial activities in the different geographic areas in which they operate, developing a global and integral vision in these systems, contribute to meeting business objectives, creating value for the different groups of interest and to the sustainable and profitable development of the organization.

The basis for these systems is contained in the **General Risk Control and Management Policy**, initially approved by the Board of Directors on 22 April 2009 and last revised on 23 September 2015. This policy lays the foundation and general context for key ERM elements, which are summarized below. All Company Risk Management systems (global, specific or multidisciplinary) are in line with the following 12 elements to the largest extent possible:

- **ERM 1: The policy** is the essential element providing a consistent structure so that both global and specific systems operate in adherence to common principles (management objectives and philosophy, identification process, assessment, measurement and risk control, accepted risk level, communication, reporting and supervision executed by the Board of Directors and the Audit and Compliance Committee, integrity, ethics, competence and assignment of liabilities).
- **ERM 2:** The systems are applied through an **organization** built upon **four levels of protection and defense** to face and manage significant risks.
- **ERM 3:** The systems are backed by a standard universal risk classification model using a common language in the company referred to as "**Business Risk Model (BRM/BOM)**", initially approved by the Board of Directors in 2004 and its most recent update (through the Policy in 2015). BRM classifies risks and opportunities into 4 groups, which are in turn subdivided into various subcategories: (1) corporate governance, ethics and compliance risks, (2) strategic and environmental risks, (3) processing risks and (4) risks associated with information for making decisions or legal requirements.
- **ERM 4 and 5:** Establishing the internal and external contexts in which Gamesa carries out activities, with a **proactive and integrated** risk management, **risk tolerance limits and permanent controls** through specific policies and indicators, in which regard the achievement of the valid Business Plan objectives will always be part of these limits and controls together with conduct that remains at all times in strict compliance with the law and the Company's Corporate Governance Standards, and, in particular,

the values and standards of conduct contemplated in the Codes of Conduct, principles and good practices of the *Corporate tax policy*, and under the principle of "zero tolerance" regarding the perpetration of crimes and situations of fraud as stipulated in the *Crime Prevention and Fraud Policy*.

- **ERM 6, 7 and 8:** Encompassed entirely by a **global risk management process and diverse sub-processes** that support the "**Top down**"- "**Bottom up**" **approach** throughout the entire organization, representing corporate and regional **risk maps** backed by specific risk management systems and the appropriate consistency between "micro- and macro-risks". In this context, continuous identification and analysis of relevant risks and threats (including financial, tax-related, operating, strategic and legal risks, in addition to other associated risks with activities, processes, projects, products and key services); impact assessment, likelihood and degree of control, establishing maps as tools to take action, supervise and communicate risk management.
- **ERM 9: Engagement strategies** (which, depending on the risk type and priority, mitigate, transfer, share and/or forestall risks while shoring up the attainment of opportunities), establishing the appropriate scaling and assignment of management liabilities. Any engagement aimed at controlling and mitigating risks attending to the basic principles of engagement in section 4 of the policy.
- **ERM 10, 11 and 12:** The foregoing backed by some elements across the entire ERM Framework, such as computer tools and IT platforms, audits, preventive observations, Reviews by Management, management of events, training, awareness-raising and activities to promote a culture of risk management.

Risk management in Gamesa's ERM develops on the basis of the application of the principle of continual improvement, audits, self-assessments, benchmarking and through the consideration of bellwethers of recognized repute, in which regard the appraisal conducted by Euskalit in 2016 on Gamesa's global management (and therefore the ERM therein) in accordance with the advanced management model is particularly salient (Gamesa's management model secured a gold level recognition).

- E.2 Identify the bodies of the Company that are responsible for developing and implementing the Risk Management System, including tax-related risks.

As the Company's top decision-making, oversight and control level, the **Board of Directors** examines and authorizes all relevant operations. It is also responsible for establishing the general policies and strategies, including the Company's risk control and management policy and tax strategy, and likewise oversee and implement the supervision of internal information and control systems.

The Company's Risk Control and Management Systems are applied through an **organization structured into four tiers of protection and defense** to face and manage significant risks, namely:

1. Risk management ownership

The Group's **Management Committee** and **Executive Committee** are responsible, inter alias, for:

- Conducting a comprehensive risk control and management in business and decision-making processes as proprietors of the risks associated with the activities, processes, projects, products and services of the business lines across all geographic areas in which the Company operates.
- Maintaining a suitable continuous risk assessment process, securing the identification, assessment and response (leading the definition and implementation of action plans) vis-à-vis the risks that could affect the attainment of Company objectives. Various risk management collaborators may be involved to carry out this duty.
- Guaranteeing compliance with the procedures concerning risk control and management, ensuring that Gamesa personnel know the risk and control environment of each process affecting them, and adopting the measures necessary or the dissemination of and compliance with the General Risk Control and Management Policy by assigning the necessary resources (human, technological and financial).

Further duties of the Group responsible for creating and executing control and risk management systems are:

- **Committees of each region:** As proprietors of the regional risks, they have duties at this level that are similar to those of the Group's Management Committee.
- **General Finance Division:** In accordance with the Investment and Financing Policy, it centralizes financial risk management throughout the Gamesa Group.
- **Tax Department:** Reporting to the General Finance Division, it ensures compliance with the tax strategy and policy, apprising control and oversight bodies of tax-related criteria and policies applied during the year and the tax risk control. This role manages and ensures due compliance with the tax obligations throughout the Group, assuring that all tax-related decisions are duly substantiated and documented, and are adopted on the appropriate levels in the organization.

2. Tracking and compliance

- **Risk Control Department (BRC):** Reporting to the Internal Audit Division, it participates in defining the risk strategy, good operation and efficiency of the control systems and in mitigating the detected risks; and ensures that the executive line evaluates everything related to the risks of the company, including the operational, technological, legal, social, environmental, political and reputational risks.
- **Ethics and Compliance Division:** Reporting directly to the Audit and Compliance Committee, this division applies the Code of Conduct and Internal Regulations for Conduct in the Securities Markets, and supervises the implementation and compliance with the Crime Prevention and Fraud Policy and manuals.

3. Independent assurance

Internal Audit Division: Directly linked to the Board of Directors, on which it functionally depends through the Audit and Compliance Committee, which allows it to guarantee the independence of its actions.

This division informs, advises and reports to the Audit and Compliance Committee on the risks associated with the balance sheet and the functional activity areas with the existing identification, measurement and control thereof. It therefore executes the annual Internal Audit work plan, reporting the activities executed from this plan and the incidents arising.

4. Supervision

The Board of Directors entrusts the **Group's Audit and Compliance Committee** with duties including:

- Ensure the independence and effectiveness of the Internal Audit, and regularly review the effectiveness of the internal risk control and management systems, including tax-related risks, to properly identify, analyze and report the main risks.
- Ensure that the risk control and management policies identify the different risk types (operational, technological, financial, legal, tax-related, reputational, etc.) affecting the Company and its group, including financial or economic risks, contingent liabilities and other off balance sheet risks, in addition to the risk levels that the Company and the Gamesa Group consider to be acceptable according to the Corporate Governance Standards and the measures contemplated for mitigating the impact of identified risks in case they materialize.
- Inform the Board of Directors, based on the information received from the manager of tax matters, of the tax policies applied by the company and, for operations or matters that must be approved by the Board of Directors, of the fiscal consequences when they constitute a relevant risk factor.

E.3 Indicate the principal risks, including tax-related risks, that could affect the achievement of the business objectives.

In the deployment of the company's strategic and operational planning, Gamesa faces a broad range of risks inherent to the sector in which it carries out its activities and in countries where it operates that could affect the achievement of business objectives.

In general, the Policy defines the term "risk" to be any threat that an event, action or omission could prevent the Gamesa Group from achieving its business objectives and executing its strategies successfully, hence the Risk Control and Management Systems are clearly linked to the strategic planning process and setting of company objectives.

Below is a brief summary of the main risks that could affect the achievement of the objectives set out in the 2015-2017 Business Plan and were monitored in 2016.

- Risks that could affect the objective of **"Solid competitive positioning. Profiting from opportunities for growth in emerging and mature markets"**:
 - Market risks arising from price volatility and other variables such as exchange rates.
 - Country-related risks where social-political conditions could affect the interests of Gamesa, and more global risks arising from macroeconomic factors, natural disasters, health and other emerging threats.
 - Tax-related risks arising from local and/or global requirements and direct or indirect burdens.
- Risks that could impact the objective of **"Balance control. Maintaining balance soundness"**, including the results:
 - Relevant matters in the activity that could cause asset deterioration.
 - Operational risks (financial and non-financial, including yet not restricted to technology-related, legal, social, environmental, health and safety, information-based and supply chain related risks) that could be incurred in losses as a consequence of the non-existence of inappropriateness of procedures, human resources and systems, or external events and technological failures, etc.
 - Controlling cash flow and structure, continuously improving variable costs.
- Risks that could affect the objective of **"Competitiveness of the portfolio of products and services. Working on the competitiveness of the portfolio of products and services, improving positioning in mature markets"**:
 - Competitiveness of the portfolio of products and services: optimization of the launch curve and return on investment in terms of Cost of Energy (CoE) and the contribution margin of new developments.
 - Added-value product developments.
- Risks that could affect the objective of **"Growth beyond 2017"**:
 - Continual analysis of the environment and new opportunities: *onshore, offshore*, new businesses. Merger agreement with Siemens to create a global leader. Solid strategic rationale with complementary aspects in platforms, markets, businesses, operating capacities and management capabilities.
 - Offshore business development (tracking of the balance control objective).
 - Pressure on prices that solar power and other energy sources and competitors put on wind power

Additionally, monitoring continues on global threats and further risks that, while not directly affecting the achievement of business objectives, nevertheless comprise priority areas for Gamesa, including: environmental care and climate change; risks related to "information system environments such as cyberattacks and system continuity", and other risks related with Corporate Social Responsibility (CSR), e.g., risks affecting the CSR of the supply chain.

The Management Report in the annual report corresponding to 2016 contains a description of the risks associated with Gamesa activities.

E.4 Identify whether the entity has a risk tolerance level, including tax-related risks.

The Risk Management and Control Procedure, which identifies, assesses, prioritizes, controls and manages the risks to which Gamesa is exposed, and decides to what extent such specific risks are acceptable, mitigated, transferred or prevented; was approved and incorporated in the certified management system in 2008 and most recently updated in 2016 to align it with the changes in the Policy and with the risk tolerance concepts extracted from the best practices published by Instituto de Auditores Internos. In this regard, Gamesa has reinforced the concepts of "risk appetite", "risk tolerance" and "risk capacity" during its training sessions throughout 2016.

The risk strategy and tolerance are established by Senior Management based on quantitative variables (indicators) or qualitative variables that let them establish the amount of risk that the company is willing to assume to reach its objectives. The tolerance is updated regularly and at least whenever there are changes in the strategy and/or policies.

Gamesa essentially has 3 ways of establishing risk tolerance levels, which are complementary to one another:

- The Company declares its risk tolerance level through specific and regularly revised policies and internal rules and regulations, including:
 - General Risk Control and Management Policy
 - Corporate Tax Policy
 - Investment and Financing Policy (exchange rate, credit and interest risks)
 - Gamesa Excellence Policy (Health & Safety, environmental respect, quality and energy efficiency)
 - Code of Conduct
 - Crime Prevention and Fraud Policy
- The establishment of objectives or in conformity with strategic regularity for indicators used in monitoring some risks:
 - EBITDA, EBIT, net amount of the business figure, financial expenses, net financial debt, own funds, CAPEX.
 - MW sold (units, type of product/platform, geographical area, etc.), MW in maintenance, contracts signed, quantity and quality of the MW in stock, MW installed in farms, MW in construction.
 - Non-quality costs, target costs, margin of contribution.
 - Frequency index, severity index.

- The use of metrics established in the Risk Control and Management Procedure for assessing the impact according to a series of criteria so that the result, once combined with their likelihood of occurrence, can assess risks as high or moderate when they are considered to exceed the tolerance and thus require mitigation plans. For a certain risk identified and assessed as elevated or moderate, and for which there is also a risk limit that has been or is expected to be exceeded, as many mitigation actions as necessary should be established until the risk returns to its tolerance level.

Following the revision and update of the Risk Control and Management Policy in September 2015, responsibilities received additional definitions insofar as high-levels risk tolerance levels or ones that should be applied to the entire group. Some salient aspects of this revision:

- The Board of Directors approves the specific policies from which the risk levels that the Corporation considers acceptable are derived (risk tolerance criteria) and are aimed at maximizing and protecting the economic value of Gamesa within a controlled variability.
- Gamesa's Delegated Executive Committee will define the specific numerical values for the risk limits stated in the specific policies and/or in the annually set objectives and may decide to modify these values and authorize that, exceptionally, they are exceeded, after a report to the Audit and Compliance Committee, taking into account the proposals of the affected departments. In this context, Gamesa's Delegated Executive Committee defined the specific numeric values of the risk limits associated with the Investment and Financing Policy in 2016.
- The Audit and Compliance Committee ensures that the risk control and management policies identify the risk levels that the company considers acceptable in accordance with its Corporate Governance Standards.
- In accordance with these guidelines, each Group company must approve, in their corresponding governing bodies, the specific risk limits applicable to each one and implement the necessary control mechanisms to ensure compliance with the general policy for risk control and management and the specific limits that affect them.

Once the risks (including tax-related risks) threatening achievement of the objective have been identified, the risk owners or their delegated parties, backed by the Risk Control Department and other support roles, assess these risks with a view to ascertaining their priority and measuring the levels of exposure in terms of tolerance levels to thus establish the required treatment (risk mitigation plans).

In this context, Gamesa undertakes continuous tracking of the exposure levels regarding the risks constituting the BRM model with different frequencies depending on the variability of the risk and ones that are more relevant or significant, i.e., risks that could compromise the achievement of business objectives and affect economic profitability, financial solvency, corporate reputation, integrity of employees and environment, and compliance with legislation.

E.5 Indicate the risks, including tax-related risks, arising during the period.

There was no record in 2016 of material or extraordinary risks aside from those already listed in the management report and annual financial statements report. In any case, there is no record of risks compromising the integrity of the results, strategic objectives or assets of the Company.

The circumstances that, as the case may be, have brought about the occurrence of such risks are inherent to the carrying out of the business, market environment and economic juncture, and the mitigation and control systems set up in the different areas have worked appropriately, and the risks inherent thereto generated no significant incidents in the organization during the last year.

E.6 Explain the response and supervision plans for the main risks of the entity, included tax-related risks.

The geographic and business diversity of Gamesa calls for response and supervision plans for risk (including tax-related) at different levels, all of which globally and uniformly undergo regular supervision by the Management Committee and the Audit and Compliance Committee.

The following are salient as permanent control, supervision and response actions:

- Control exercised by business unit and geographical area managers of the Management Committee with respect to the evolution of the risk maps and mitigation plans.
- Reports to the Audit and Compliance Committee regarding developments in the corporate risk map and individually for significant risks during 2016, in appearances by executives, including the ones focused on supervising specific risk control systems and on risks that are financial (accounts receivable, cash and exchange rates), balance, tax-related, service business unit-related, legal, ethics and compliance in nature.
- Operational risk insurance with annual updates and revision of coverage.
- Diverse financial risk coverages (e.g., volatility of interest and exchange rates) with financial instruments (derivatives).
- External certificates for some management systems covering the control of some specific risks such as occupational risk prevention (in accordance with OHSAS18001), environmental risks (in accordance with ISO 14001) and quality-related risks (in accordance with ISO9001).
- Financial-economic information reliability risks (including risk of fraud) under the ICFR system.
- Continuous training in risk management for managers and executives: various training sessions were given to 159 managers and executives (first line of defense) in 2016 on the general risk control and management policy, general ERM framework and integrated risk management methods.
- Regarding awareness-raising and the culture of integrated risk management for the entire staff, it is pertinent to indicate the general dissemination regarding rule 3.25 concerning risk management in the Code of Conduct, which was shared with everyone through the sessions held in 2016 concerning this Code (Rule 3.25 states that Group Professionals must have proactive roles in the culture of risk prevention within the scope and breathe of their functions through integrated risk management in their activities and projects, and indicates and enumerates their corresponding principles of engagement). Refer to the sessions regarding

the Code indicated in section F.

- Internal audits of significant risks and communication of the corresponding reports to the Management Committee and the Audit and Compliance Committee.

The following are particularly salient among the particular response and supervision actions applying to significant risks (whether materialized or not):

- Plans for risks that could affect the objective of "Solid competitive positioning. Profiting from opportunities for growth in emerging and mature markets":
 - Exchange rate: Mechanisms for managing coverage of the risk associated with transactions in the main currencies in which the Company operates; Defining and continuously monitoring new indicators; Revising the principles for managing exchange rate coverage, aligned with the updated/approved limits.
 - Country Risk: Geographic and client diversification; Local supply chains strengthening and/or development; Recurring and occasional steps taken to guarantee the safety and security of persons and assets in the countries where the Company operates and generate security alerts (social, natural, health).
 - Fiscal risks: Regular reporting to management and oversight bodies of the Company regarding compliance with good tax practices applied in relation to tax-related risk prevention and concerning Public Tax Authorities; Application of the Corporate Tax Policy and improvement in the organizational structure and execution and control processes and procedures, tax-related risk management. identification of risks per region, and definition and tracking of the actions defined for mitigating said risks.
 - Consolidation of the sector and competition: Creation of the agreement with Siemens; Analysis and surveillance of movements in the sector.
- Plans for risks that could impact the objective of "Balance control. Maintaining balance soundness":
 - Continuous monitoring of the cash flow and relevant matters that could cause deterioration of assets. In this regard, the potential deterioration are addressed in the report of the 2016 financial statements.
 - Tracking and control of financial needs and the resulting compliance with *covenants*.
- Plans for risks that could affect the objective of "Competitiveness of the portfolio of products and services. Working on portfolio competitiveness, improving the ranking in mature markets":
 - Strict control of compliance with product development plans (time, cost, quality, return on investment).
 - Cost reduction and continuous improvement plan, seeking to improve profitability in terms of Cost of Energy (CoE) and contribution margin.
 - Make/buy decisions and specific projects for components.

- Plans for risks that could affect the objective of "Growth beyond 2017":
 - Regular monitoring by the different areas of the Company on regulatory developments, market aspects and demand.
 - Control of policy changes affecting renewable energies.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE PROCESS FOR ISSUING FINANCIAL INFORMATION (FIICS)

Describes the mechanisms that make up the internal control and Risk Management Systems related to the process for issuing the financial information (FIICS) of the entity.

F.1 Entity control setting

A report indicating the main features of at least the following:

- F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

In accordance with the Bylaws of the Company, the Board of Directors shall be responsible specifically for drawing up the financial statements and the management report which correspond to both the Company and its consolidated Group, proposal for the application of results, and overseeing and approving the regular financial information that should be made public in the company's condition as a publicly traded company.

Within this framework, the ultimate responsibility therefore corresponds to the Gamesa Board of Directors for guaranteeing the existence and maintenance of an adequate ICFRS, the supervision of which, in accordance with the competences established in the Regulations of the Board of Directors and in the Regulations of the Audit and Compliance Committee, are delegated to it; and which also makes the design, implementation and maintenance of which the responsibility of the Group's Management, through its Management Control Department and Finance Department.

At the same time, the function of Internal Audit and Business Risk Control, in support of the Audit and Compliance Committee, is to promote the control of reliability of financial information through its direct access to said Committee as well as the fulfillment of its annual work plans.

The Regulations of the Audit and Compliance Committee establishes the committee's scope of competence to encompass supervision of the internal control system and risk management systems, and joint analysis with external auditors of significant internal control weaknesses detected, if any, during the audit, and the supervision of the procedure for preparing and submitting regulated financial information.

The duties of the Audit and Compliance Committee regarding the drawing up of regulated financial information includes yet is not restricted to the following:

- Oversee the preparation, presentation and integrity of economic and financial information relating to the Company and its consolidated Group, as well as the correct delimitation of the latter.
- With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.

- Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.
- Oversee compliance with legal requirements and the correct application of generally accepted accounting principles, and inform the Board of any significant changes in accounting criteria.

Regarding the internal risk control and management policy:

- Periodically reviewing the effectiveness of internal control and risk management systems, including those related to tax, in order to adequately identify, analyze and report on the key risks, as well as to collaborate with the auditors in analyzing the significant weaknesses in the internal control system detected when carrying out the audit.
- Review all risk policies and propose amendments thereof, or the adoption of new policies to the Board of Directors.
- Ensure that policies on the control and management of risks identify at least:
 - The different types of risk (operational, technological, financial, legal, fiscal, reputational, etc.) affecting the Company and its Group, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
 - The levels of risk that the Company and the Gamesa Group deem acceptable in accordance with the Corporate Governance Standards.
 - The planned measures to mitigate the impact of identified risks, should they materialize.
 - The information and internal control systems used to control and manage risks.
- Ensuring that the risk department participates in defining the risk strategy, in the correct functioning and effectiveness of the control systems and in mitigating the risks detected.

Gamesa has had an Internal Financial Information Control Unit in place since 2015. This unit reports to the Finance Division and has the following duties:

- Ensure a centralized administration of the system enabling harmonized operations and supervision throughout the group.
- Define system methodology and criteria.
- Guarantee the maintenance, tracking and improvement of the system.
- Document and update the main aspects regarding the maintenance and improvement of the ICFRS.

F.1.2. If they exist, especially regarding the process for drawing up financial information, the following elements:

- Departments and/or mechanisms responsible: (i) for the design and review of the organizational structure; (ii) for clearly defining the lines of responsibility and authority, adequately delegating tasks and functions; and (iii) for ensuring that sufficient procedures are in place for correct dissemination within the entity.

Regarding the definition of the organizational structure, the Regulations of the Board of Directors establish that the Appointments Committee must report to the Board of Directors regarding the proposals for appointment and dismissal of Senior Management, and the Remuneration Committee must report, prior to their approval by the Board, regarding their remuneration conditions and terms and conditions of their employment contracts.

The Management Committee of the Group is responsible for defining, designing and revising the organizational structure. It also assigns functions and tasks, guarantees adequate separation of functions and ensures that the areas of the different departments are coordinated in order to meet the Company objectives.

Furthermore, the Human Resources Division is responsible for supervising the Company organizational design and ensuring its homogeneity between the different geographical areas. The Communications Division is responsible for communicating changes related to organization through the corporate intranet.

The Human Resources Division also maintains and publishes the detailed organizational chart of the Company on the corporate intranet through the Who's Who? service. This tool is the interactive directory of the Company that is used to encourage and facilitate communication between employees and make the organizational structure more accessible. The tool also ensures access to updated information used to locate and physically and functionally identify workers.

For the purpose of drawing up financial information, the Group has clearly defined lines of authority and responsibility. The General Finance Division (GFD) has the main responsibility for drawing up financial information.

The General Finance Division ensures the existence and correct dissemination throughout the Group of the internal control policies and procedures necessary to guarantee that the process of drawing up financial information is reliable. Moreover, the General Finance Division schedules the key dates and reviews to conduct by each responsible area.

The Group has financial organizational structures adapted to local needs in every region where it operates headed by a Financial Director, whose duties include yet are not limited to the following:

- Design and establish local organizational structures appropriate for developing the assigned financial tasks.
- Integrate Group-defined corporate financial policies into local management.
- Adapt corporate accounting and management systems to local needs.
- Comply with the procedures delimited within the Group's Internal Control over Financial Reporting System (ICFRS) and guarantee the proper separations of functions at the local level.
- Implement and maintain the control models through corporate technology tools.

In particular and referring to the model for the Financial Information Internal Control System, the existing organizational structure has sufficient resources for proper operation thereof with centralized guidelines that are controlled and supervised at a central level at the group, but with local implementation in each region to expand processes considered to be key for the Company in depth.

To ensure that the model works properly at the regional and corporate levels, the organization contemplates professionals having different roles and profiles in the capacity of:

- ICFRS Managers
- Process risk managers
- Control activity executors and supervisors

This is therefore a shared responsibility developed at the regional and general group levels for which any discrepancies will be resolved by a Committee in its role as a regulator.

- Code of Conduct, approving body, level of dissemination and instruction, principles and values included (indicating if there is specific mention of the record of operations and drawing up of financial information), body responsible for analyzing breaches and proposing corrective actions and penalties.

The purpose of Gamesa's Code of Conduct, approved by its Board of Directors on 5 April 2016 is to consolidate a universally accepted form of business ethics and to formally and expressly set forth the values, principles, attitudes and standards governing the conduct of the companies which make up the Group and the people subject to this Code during the fulfillment of their functions and in their work, commercial and professional relationships.

The Code of Conduct is available in several languages and copies of it are disseminated among its intended recipients and posted on the corporate website (www.gamesacorp.com) and intranet in the area reserved for the Ethics and Compliance Division. The Code is open to the possibility of any other medium of dissemination.

Among the principles and values included in the Code, general conduct rule 3.11 expressly states that the information conveyed to shareholders will be transparent, clear, truthful, complete, consistent, simultaneous and adhere to the principles of the Communication and contact policy regarding shareholders, institutional investors and vote advisers, which pertains the Corporate Governance standards.

In particular, general conduct standard 3.24 of the aforementioned Code expressly indicates that "the economic-financial information of GAMESA and its Group - in particular, the financial statements - is a faithful reflection of its economic, financial and equity-related reality, in accordance with generally accepted accounting principles and applicable international standards on financial reporting. For these purposes, no Group Professional shall hide or distort the information in the records and accounting reports of GAMESA or its Group, which shall be complete, accurate and truthful. Group professionals will apply the controls established by the Internal Control over Financial Reporting System (ICFRS) at all Group companies and in their respective fields of responsibility for the purpose of ensuring the reliability of Company financial information".

The Ethics and Compliance Division functionally reports to the Audit and Compliance Committee and some of its responsibilities regarding the Code of Conduct include yet are not restricted to revising and regularly updating the code, addressing concerns that could arise, and receiving questions or complaints regarding unethical actions, actions lacking in integrity or against the principles included therein.

Finally, general standard 3.25 in the Code of Conduct also expressly refers to the principles and values concerning risk management in connection with the general risk management and control policy, sets forth that Group Professionals, within the scope of their duties, must be proactive agents in the culture of risk prevention through the integrated management of risks in their activities and projects, and further specifies and details the corresponding principles of engagement.

- Whistleblower channel, for notifying the audit committee of financial or accounting-related irregularities, in addition to possible noncompliance with the Code of Conduct and illegal activities in the organization, and informing whether they are confidential in nature, when applicable.

According to the Code of Conduct and Article 10.g of the Regulations of the Audit and Compliance Committee regarding the functions of this Committee insofar as Corporate Governance, Gamesa has enabled the Whistleblower Channel as a mechanism enabling employees to confidentially report significant irregularities, including yet not restricted to, and as expressly indicated thereby, finance and accounting-related irregularities detected within the company.

The Audit and Compliance Committee is responsible for establishing and supervising the Whistleblower Channel through the Ethics and Compliance Division, which Gamesa manages according to the conditions and powers set forth in the written procedure regulating the "Whistleblower Channel Operating Rules" as part of the internal regulations, which set out its operation and conditions for use, access, scope and other aspects.

In accordance with our internal regulations, a function of the Ethics and Compliance Division as regards the Code of Conduct/Whistleblower Channel is to evaluate the level of compliance with the Code of Conduct and draw up a report thereon for submission to the Audit and Compliance Committee, informing on suggestions, concerns, proposals and non-compliance.

Upon receipt of a written complaint with a series of requirements and minimum content, the Ethics and Compliance Division decides whether to process or file the complaint.

Should signs of a potential infringement of the Code of Conduct appear, a case file will be processed confidentially and may initiate as many actions as may be required, especially interviews with the people involved and witnesses or third parties considered capable of providing useful information. Other roles within the Company may be called on, as appropriate, to provide assistance.

Having processed the complaint, the Ethics and Compliance Division will draw up a report, establishing predefined deadlines for the conclusion thereof, content and method of communication.

The Human Resources Division establishes the pertinent disciplinary measures for Code of Conduct infringement cases that should in any case be equitable to the severity of said infringements.

If upon processing the disciplinary proceeding and drafting the report, the Ethics and Compliance Division concludes that signs of illegal conduct exist, the competent legal or administrative authorities will be notified.

- Periodical training programs and updates for personnel involved in drawing up and reviewing financial information, and assessing the ICFRS, that shall at least include accounting standards, auditing, internal control and risk management.

Gamesa has global procedures and processes for contracting personnel to identify and define all milestones of the selection and contracting process used to guarantee that new employees are qualified to undertake the responsibilities associated with the position.

The management of its employees' knowledge through the required detection, retention and development of talent and knowledge, along with ensuring its correct transmission, is a main line of action for Gamesa.

A new comprehensive talent management tool, Gamesa Talent Environment (GATE), was developed in 2016 to shore up and assist the role of each member of Gamesa as the key figure regarding his/her own development, group human resources processes and reinforce their integration into Company strategies.

In this context, the fundamental tool for developing the people who make up GAMESA is the Talent and Development Review, which is conducted annually. This process entails the establishment of individual development plans for the purpose of contributing to professional growth and enabling the development of skills and competences that will guarantee compliance with the Company's Business Plan.

This process is led by the Human Resources Division and, once concluded, is used as the base for designing the annual training plans. The provided training is monitored jointly in a single tool by the Employee, Manager and the Human Resources Division, and the latter is ultimately responsible for the overall tracking of the training given.

Personnel directly and indirectly responsible for actions related to the financial and accounting scope have been the object of previously outlined selection and contracting processes. Their training needs are also based on their annual performance evaluations. In this context, our human resources have the qualifications and professional competence necessary to do their jobs, both in the applicable accounting standards and in the principles concerning internal control. Personnel is kept continuously apprised of the legislative requirements in force.

The ICFRS-related training program that began in 2015 continued into 2016 at the corporate level and individual geographic areas.

Specifically and in relation to the Code of Conduct, the rules on the prevention of conflicts of interest, crime prevention and fraud policy, and whistleblower channel, the Ethics and Compliance Division held a total of 112 sessions in 2016 in EMEA (Spain and Italy), USA, Brazil and Mexico with an attendance topping 2,400. Additionally, the materials associated with the aforementioned matters were delivered to not only the attendees at the sessions but also others (approximately 6,000 employees) in the cited areas, India and China.

F.2 Risk assessment of financial information

A report including at least the following:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, regarding:

- Whether the process exists and is documented.

The Company developed ICFRS on the basis of the international standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As mentioned further below, there is a model for identifying the effects of the different risk types. However and, in particular, regarding financial information, an internal control model is applied with a top-down approach of risk identification based on the most significant accounts in the financial statements and considering parameters related to impact, probability, characteristics of the accounts and the business process.

The risk identification process, whose potential impact on the Financial Statements is significant, considers quantitative aspects such as the percentage represented at an aggregate level by the individual company/account regarding assets, sales, income and other qualitative aspects.

The qualitative risk factors consider aspects related to:

- Characteristics of the account: Volume of transactions, required judgment, complexity of the accounting principle, external conditions.
 - Characteristics of the process: Complexity of the process, centralization vs. decentralization, automation, third-party interaction, experience/maturity of the process.
 - Risk of fraud: Degree of estimation and judgment, common schemes and frauds in the sector/market in which it operates, geographic regions, unusual and complex transactions, type of automation, urgent transactions, relationship to compensation systems.
-
- Whether the process covers the whole of financial information-related objectives (existence and occurrence; integrity; assessment; presentation; itemization and comparability; and rights and obligations), whether it is updated and how frequently.

The process was designed in consideration of the financial reporting objectives contemplated in the internal control document on financial reporting for listed companies issued by the Spanish Securities Market Commission (CNMV) in June 2010.

In the previous context, and in the case of the processes associated with the economic-financial information, the process has focused on analyzing the events that could affect the objectives of financial information related to:

- Integrity.
- Validity.
- Evaluation.
- Deduction.
- Record.
- Presentation and breakdown.

The risk assessment model for attaining objectives linked to the reliability of financial information systematically and objectively identifies the critical risks and processes of an annual nature.

- The existence of a process for identifying the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose entities.

As per the recommendations of the Unified Code of Good Governance of the Board Directors in Article 7 of its Regulations, the authority is established to approve the creation or acquisition of shares in special purpose companies or companies that are domiciled in countries or territories that are, under current legislation, considered tax havens.

Moreover, and in this context, the Group's corporate tax policy indicates that Gamesa, in carrying out its activities, will attend to the principles of an ordered and diligent tax policy embodied in the commitment to:

- Avoid the use of artificial and/or obscure structures for tax purposes, understanding that the latter are intended to prevent understanding, on the part of the Tax Administration personnel, of the final responsibility for the activities or the last owner of the property rights involved.
- Refrain from constituting or acquiring companies residing in tax havens with the aim of evading tax obligations.

The Group, through the Companies List drawn up by Legal Counsel, also maintains a continuously updated record that collects all Group holdings, whatever their nature, whether direct or indirect, including, as applicable, both instrumental and special purpose companies. This list of companies which constitute the Gamesa Group is accessible to personnel of the Group in the internal network (intranet).

For the purpose of identifying the scope of consolidation, in accordance with the criteria contemplated in international accounting legislation, the mentioned list is subject to conciliation with the master file of companies affected by consolidation, which is the responsibility of the Group's consolidation unit.

In this regard, the Group has a guide that establishes the necessary flow of authorizations regarding changes in the consolidation perimeter and enables updating and reconciliation of the Company List and master company file held in SAP BPC.

In this context, the consolidation perimeter identification subprocess was created in the established financial information internal control system as part of the priority consolidation process.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they have an impact on the financial statements.

Gamesa has incorporated a risk identification process based on the COSO method that, in accordance with the general risk control and management policy approved by the Board of Directors (most recently updated in September 2015) is considered to be in line with the "Business Risk Model-BRM" model insofar as the four risk categories that each in turn group other sub-categories:

- Corporate governance, ethics and compliance risks.
- Strategic risks and risks related to regulations, credit, market, business, tax, competition, country, strategy, etc.
- Process-related risks (operational, reputational).
- Risks associated with information for making decisions or legal requirements.

The applied methodology is embodied as a regularly updated risk map (normally every six months).

- What governing body of the entity oversees the process.

The process is ultimately supervised by the Audit and Compliance Committee with the support of the Internal Audit Division to undertake its duties.

F.3 Control activities

A report indicating its main characteristics, if it has at least the following:

- F.3.1. Procedures for review and authorization of financial information and a description of the ICFRS to be published in the stock market, indicating the responsible parties, and including descriptive documentation on flows of activities and controls (including those related to the risk of fraud) of different types of transactions which may have a material effect on the financial statements, including the accounting close process and a specific review of relevant judgments, estimates, assessments and projections.

The Board of Directors is the highest body in charge of overseeing and approving the financial statements of the Group.

The Group sends quarterly information to the stock market. This information is prepared by the Management Control and Finance Divisions, who conduct a series of control activities during the accounting closure to ensure reliability of the financial information. These controls are contained in the "Consolidation and Financial Closing" in the Group's ICFRS model.

The Corporate Management Control Area and the consolidation and accounting area, integrated in the Finance Division, consolidate all the financial information of Gamesa Corporación Tecnológica, S.A. and the companies integrated in the Group.

On a monthly basis, the Finance Department provides the different departments involved in the accounting closings with planning and guides for drawing up financial information by each department and the date on which they should be reported.

The financial statements of the Group have the following review levels:

- Review of the Management Control Division.
- Review of the Finance Division.
- Review of the Audit Committee.
- Approval of the Board of Directors (biannually and annually).

Moreover, the financial statements and interim financial statements summarized biannually are subject to auditing and limited review, respectively, by the external account auditor.

Likewise, the financial statements submitted previously to the Board of Directors for formulation are previously certified by professionals responsible for consolidation and the Finance Division.

The financial statements are drawn up based on a reporting calendar and deadlines that are known to all participants in the process, considering the legally established terms.

The control activities designed to cover the previously identified risks, as mentioned in the previous chapter, are performed both at the Division level in a Corporate environment, with analytical reviews of the reported information, and at the level of each business unit from a more operational and specific point of view by identifying the relevant processes and subprocesses according to the different local organizational structures.

The processes considered with material impact risk in the drawing up of financial information are represented through risk and control flowcharts and matrices that identify the relevant control activities.

The control activities of particular relevance are understood to be related to the following aspects:

- Earnings recognition, degree of progress and collection.
- Capitalization of promotion expenses.
- Provision for guarantees.
- Activation of research and development expenses.
- Material assets.
- Coverage management.
- Procurement.
- Consolidation and Financial Closing.

The Group's control model is handled, maintained and evaluated through GRC Suite.

During 2016 and within the context of continually improving the model, Gamesa has continued working on optimizing and adapting the model to the best practices in the sector.

Startup of the new automated financial reporting control model, which began in 2015, was completed in 2016. By the close of 2016, the ICFRS organizational structure in all regions received training again for operating the computer tool that supports the model and the suitability of regular self-assessments on the control activities defined for each process conducted by the executors, confirmed by their supervisors and reviewed by the process risk managers.

The established system entails a continuous process to the extent that the process managers draw up, revise and update control activities and procedures in tandem with the Internal Control Unit.

- F.3.2. Internal control policies and procedures regarding information systems (including access security, change control, operation thereof, operational continuity and segregation of functions) supporting the entity's relevant processes relating to the preparation and publication of financial reporting.

Gamesa's management recognizes information and supporting assets as strategic assets for the business and therefore declare the company's intention to attain the security levels necessary to safeguard them in terms of availability, confidentiality, integrity, authentication and traceability.

As part of this commitment, Gamesa has an information security policy manual for safeguarding confidentiality, integrity and availability of the information. This manual applies across all areas of the company.

Specifically, within the scope of the Gamesa ICFRS model, the process of general controls of the Information Systems has been developed. This process has been broken down into different subprocesses, for which various controls have been designed and established.

The designed controls are supported mainly in the applications SAP R3, SAP BPC, SAPP and BPM.

These subprocesses and their main control activities are:

- **Backups:** Business continuity as regards the timely recovery of essential business data in the event of a disaster via the duplication of critical infrastructures and periodic backup copies of the information in separate physical locations, and a policy review and control of the integrity of the copies made.
- **Security of physical access to the Data Processing Center (CPD):** Among other physical control activities, the information technology department restricts access to authorized personnel in different areas where key information elements of the Company are located, and these locations are monitored with the appropriate control and security systems.

- **Security of software access, both internal and external:** At the software security level, there are the techniques and tools that are defined, configured and implemented that restrict, to only authorized personnel based on their role-duty, access to computer applications and information databases, through procedures and control activities. These include, among others, review of users and assigned roles, encryption of sensitive information, managing and regularly changing access passwords, control of unauthorized downloads of applications, and analysis of identified security incidents.
- **Controls relating to the maintenance and implementation of computer applications:** Among others, the following are defined and implemented: request and approval processes at the appropriate level of new computer applications, definition of versioning policies and maintenance of existing applications and their associated action plans, definition of the various plans for implementation and application migration, validation and monitoring of changes in the evolution of applications and risk management through separate environments for operation, testing and simulation.
- **Controls regarding the segregation of duties:** Approved segregation of duties matrix, pursuant to which different roles are assigned to users according to identified needs, without allowing exceptions. Periodic review and approval of the various roles assigned, as well as reassignments, updates, user deletion, verification of infrequent or unused users, etc.

F.3.3. Internal control policies and procedures for monitoring the managing activities subcontracted to third parties, and aspects related to the evaluation, calculation or appraisal entrusted to independent experts that may have a material effect on the financial statements.

In general, Gamesa does not outsource any activity considered to be relevant and/or significant that could materially affect financial reporting.

In any case, the aforementioned outsourced activities are mainly different administrative processes in offices and small subsidiaries supported by a service contract that clearly indicates the service provided and the means that the supplier, a high-level external professional, will use to provide the services; reasonably ensuring technical training, independence and competence of the subcontracted party.

Likewise, there is an internal procedure for contracting services that establishes the requirement for certain levels of approval depending on the amount in question.

The Gamesa ICFRS model identifies control activities in which the valuation of a third party is required. In this regard, outsourced activities have been identified mainly relating to the appraisal of derivatives, legal aspects, assets and payments based on shares.

These services are commissioned by the managers of the corresponding areas, reasonably ensuring the competence and technical and legal training of the subcontracted parties, reviewing as applicable the assessments, calculations or appraisals performed by external agents.

F.4 Information and communication

A report indicating its main characteristics, if it has at least the following:

- F.4.1. A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolving questions or disputes regarding their interpretation, maintaining fluid communication with those responsible for operations in the organization, as well as an accounting policy manual updated and communicated to the units through which the entity operates.

The functions of the Finance and Management Control Divisions include identifying, defining, updating and communicating the accounting policies that affect Gamesa, and responding to accounting inquiries raised either by subsidiaries or different geographical areas and business units. In this context, it maintains a close and smooth relationship with the management control areas of the various geographical areas and business units.

Additionally, the above divisions are responsible for reporting to the Management Committee and/or any other appropriate body regarding specific aspects of accounting standards, the results of their application and their impact on the financial statements.

The company has an accounting manual that defines and explains the standards for preparing the financial information and how such standards should be applied to the specific operations of the company. This document is updated regularly and the companies in which they apply are notified of the possible amendments or significant updates made.

On those occasions on which the application of accounting standards is particularly complex, the conclusion of the accounting analysis undertaken is communicated to the External Auditors, requesting their position on the conclusion that was reached.

The accounting policies applied by the Group are broken down into the financial statements and are consistent with those applicable under current regulations.

In case of legislative changes regarding financial reporting that affect the Financial Statements, the Consolidation Division, incorporated in the General Finance Division, will revise, examine and update the accounting standards, and oversee the adoption of new or revised standards from the International Financial Reporting Standards (IFRS) and any standards, amendments and interpretations that have yet to enter into force. This Division also notifies amendments or updates to the company departments and subsidiaries.

- F.4.2. Mechanisms for capturing and preparing the financial information using standardized formats, applicable to and to be used by all the units of the entity or Group, which support the main financial statements and their notes, as well as the information detailed on the ICFRS.

The process for consolidating and preparing the financial information is centralized. In this process the inputs are the financial statements reported by the Group's subsidiaries in the established formats, as well as the rest of the financial information required for both harmonizing the accounting process and to covering the established information needs.

The Gamesa Group has implemented a software tool that collects individual financial statements and facilitates the process of consolidation and preparation of financial information. This tool allows centralizing all information resulting from the accounting of individual companies of the Group into a single system.

In this context, the Accounting and Consolidation Division establishes, in a centralized manner, a quarterly, biannual and annual closure plan which distributes to all of the groups and subgroups the appropriate instructions regarding the scope of the work required, key reporting dates of standard documentation to send, and deadlines for reception and communication. The instructions include, among other aspects, a reporting/consolidation package sent to Corporate, preliminary closure, inter-company billing, physical inventories, confirmation and inter-group balance reconciliations, final closure and pending matters.

The content of the aforementioned reporting is reviewed regularly in order to respond to the appropriate requirements for breakdown in the financial statements.

F.5 **Monitoring the operation of the system**

A report indicating its main characteristics, of at least the following:

- F.5.1. Activities related to supervision of the ICFRS carried out by the audit committee, and whether the entity has an internal audit function that includes, among its capacities, support to the committee in its task of overseeing the internal control system, including the ICFRS. It will also report the scope of the ICFRS assessment conducted during the fiscal year and the procedure whereby the person responsible for the assessment communicates the results, whether the entity has an action plan detailing possible corrective measures, and whether its impact on financial information has been considered.

There is fluid communication between the Audit and Compliance Committee, Senior Management, Internal Audit Director and External Auditors for the purpose of having the available information needed to perform their functions relating to the responsibility of monitoring the ICFRS.

Specifically, regarding ICFRS monitoring activities undertaken by the Audit and Compliance Committee during the year, it has performed, among others, the following activities:

- Review of the Group's financial statements and periodical, quarterly and biannual financial reporting, which the Board of Directors must provide to the markets and their supervisory bodies, monitoring compliance with legal requirements and the correct application in their elaboration of the generally accepted accounting principles.
- During supervision of the Internal Audit Department, approval of the annual audit plan and its budget to enable the internal and external human and material resources in the cited department.
- Analysis of the audit plan for External Auditors, which includes the auditing objectives based on the financial reporting risk assessment and the main areas of interest or significant transactions reviewed in the year.
- The detected weaknesses of internal control have been reviewed with the External Auditors and Internal Audit, where appropriate, in the performance of the different auditing and review tasks.

Gamesa has an Internal Audit Department, one of the competencies of which is to support the Committee in its supervisory work of the internal control system. In order to ensure its independence, Internal Audit is hierarchically dependent on the Board of Directors and, on its behalf, its Chairman, and functionally the Committee.

With the aim of enabling this supervision of the internal control system, the Internal Audit services tend to the requirements of the Committee in the exercise of its functions, participating on a regular basis and as required in the Audit and Compliance Committee sessions.

The annual internal audit plan presented and approved by the Committee includes revisions of the ICFRS, establishing revision priorities on the basis of the identified risks.

During the year, it has drawn up and presented the company's corporate risk map, which contains the most critical risk areas, to the Audit and Compliance Committee. This map is drawn up for the different business units and regions at a global level. It includes financial and non-financial risks encompassed within the scope of supervision of the Audit and Compliance Committee).

The Internal Audit function has conducted audits on certain significant risks according to its annual audit plan for 2016, and submitted the corresponding reports to the Management Committee and the Audit and Compliance Committee.

Additionally, the function of Internal Audit performs analytical review procedures in each of the monthly closures of the consolidated financial statements, which involves, among other aspects, analysis of variations, unusual transactions, overall calculations, etc.

In addition, there are meetings held among the Audit and Compliance Committee, Finance Division and External Auditors for queries related to important issues or when an area of generally accepted accounting principles is particularly complex.

- F.5.2. When having a discussion procedure whereby the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts inform senior management and the audit committee or company officers of significant internal control weaknesses identified during the annual accounts review processes, or others which may have been entrusted to them. Likewise, information will be provided as to the availability of an action plan for correction or mitigation of the observed weaknesses.

The Audit and Compliance Committee holds meeting at the close of the semester (every six months) and yearly with external auditors, internal audit and the division responsible for drawing up financial information with a view to commenting on relevant aspects and, as the case may be, discussing significant weaknesses identified in internal control.

In particular and at least once yearly, external auditors will appear in the Audit and Compliance Committee session to present their internal control related recommendations identified when examining the financial statements.

Moreover and in this regard, the Group's financial statements and periodical, quarterly and biannual financial information that the Board of Directors must provide to the markets and their supervisory bodies are reviewed during the Committee's meetings with the accounts auditors, monitoring compliance with legal requirements and the correct application in their elaboration of the generally accepted accounting principles.

During 2016, account auditors have reported no significant internal control weaknesses.

F.6 **Other relevant information**

There is no other information relevant to ICFRS that has not been included in this report.

F.7 **Report of the external auditor**

Report of:

- F.7.1. Whether the ICFRS information supplied to the markets has been reviewed by the external auditor, in which case the entity should include the report as an annex. Otherwise, it should report the reasons.

Gamesa has requested an external auditor to issue a report on the review of the information regarding the ICFRS included in the present section F of the Annual Corporate Governance Report corresponding to 2016.

G DEGREE OF COMPLIANCE WITH THE RECOMMENDATIONS OF CORPORATE GOVERNANCE

Indicates the degree of compliance by the Company with respect to the recommendations of the Good Governance Code of issued companies.

In the event that any recommendation is not followed or is partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have sufficient information to evaluate the behavior of the Company. General explanations will not be acceptable.

- 1. The bylaws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, nor impose other restrictions to obstruct the takeover of the Company through the purchase of shares on the market.**

Comply Explain

- 2. When the parent company and a subsidiary are listed, both clearly and publicly define:**

- a) Their respective areas of activity and possible business relations between them, as well as relations between the listed subsidiary and other Group companies;**
- b) The mechanisms in place to resolve possible conflicts of interest that could arise.**

Comply Partially Comply Explain Non applicable

- 3. During the ordinary shareholders meeting, in addition to a written dissemination of the annual corporate governance report, the chairman of the board of directors verbally apprises shareholders, with sufficient details, of the most relevant corporate governance aspects of the company and, in particular:**

a) Changes made since the previous ordinary general shareholders meeting.

b) Reasons for which the company failed to follow any of the recommendations in the Code of Good Governance and the alternative rules, if any, that may apply in this regard.

Comply Partially Comply Explain

4. **The company defines and promotes a communication and contact policy with shareholders, institutional investors and voting advisers in fully adherence to the rules and regulations in place regarding market abuse, and treats shareholders of the same class equally.**

The company also makes said policy public on its website, includes information regarding how the policy is put into practice and identifies the points of contact or persons responsible for discharging such duties.

Comply X Partially Comply Explain

5. **The board of directors does not pass proposals onto the General Shareholders Meeting for delegating powers to issue shares or convertible securities with exclusions on first refusal rights at amounts over 20% the capital at the moment of delegation.**

When the board of directors approves any issue of shares or convertible securities with the exclusion of first-refusal rights, the company immediately posts the reports on said exclusion on its website with reference to the pertinent commerce legislation.

Comply X Partially Comply Explain

6. **The listed companies drawing up the reports cited below, whether voluntarily or as mandatory duties, also make them public on their websites with good time in advance of the ordinary general shareholders meeting, even though such dissemination may not be mandatory:**

- a) Report on the independence of the auditor.**
- b) Operating reports on the audit, appointments and remuneration committees.**
- c) Audit committee report on related party transactions.**
- d) Report on the corporate social responsibility policy.**

Comply X Partially Comply Explain

7. **The company should stream a live feed of the general shareholders meeting on its website.**

Comply X Explain

8. **The audit commission ensures that the board of directors presents the accounts to the general shareholders meeting without limitations or reservations in the audit report and, in the exceptional circumstance of reservations, both the chairman of the audit committee and auditors shall clearly explain the content and scope of said limitations or reservations.**

Comply X Partially Comply Explain

9. The company permanently publishes on its website the requirements and procedures that it will accept to accredit the shareholder, right to attend the general shareholders meeting and the exercise or delegation of voting rights.

These requirements and procedures favor the attendance and exercise of the rights of shareholders, and are applied with no discrimination.

Comply X Partially Comply Explain

10. When a legitimately accredited shareholder has exercised, before the general shareholders meeting, the right to add items to the agenda or present new proposals for resolution, the company shall:

a) Immediately disseminate the additional points and new proposals for resolution.

b) Make the attendance card model or delegation of remote voting forms public, with the specific modifications so that the new items on the agenda and the alternative proposed resolutions may be voted on in the same terms as the ones proposed by the board of directors.

c) Subject all these items or alternative proposals to a vote and apply the same voting rules as the ones formulated by the board of directors, including in particular the assumptions or deductions regarding the meaning of the vote.

d) Following the general shareholders meeting, communicate the breakdown of the vote on the additional items and proposed alternatives.

Comply Partially Comply X Explain Non applicable

Explanation:

The Company's Internal Rules and Regulations complies with sections a), b) and d) of the Recommendation, though regarding section c), article 31.7 of the Regulations of the General Shareholders Meeting of the GAMEESA states that the system for determining the meaning of the vote establishes a different deduction system for voting proposals from the Board of Directors regarding items included on the Agenda than for voting on proposals for resolution regarding matters not contemplated in the Agenda or formulated by the Board of Directors.

11. When the company intends to pay premiums for attending the general shareholders meeting, the general policy on said premiums must be established in advance and be stable.

Comply Partially Comply Explain Non applicable X

- 12. The board of directors carries out its duties with a consistent unity of purpose and independence of criteria, treating all shareholders in the same position equally and as guided by the interests of the company, namely obtaining profitable and sustainable long-term returns, promoting continuity and maximizing the economic value of the company.**

And, for the sake of company interests, in observance of the pertinent laws and regulations, and through a conduct based on good faith, ethics and respect insofar as the uses and widely accepted good practices, it shall attempt to reconcile business interests with, where pertinent, the legitimate interests of its employees, providers, clients and those of stakeholders who may be affected in the community as a whole and in the environment.

Comply X Partially Comply Explain

- 13. The board of directors has an appropriate size to achieve effectiveness and participation, ideally between five and fifteen members.**

Comply X Explain

- 14. The board of directors approves a director selection policy that:**

- a) Is concrete and verifiable**
- b) Ensures that appointment or re-election proposals are based on a prior examination of the needs of the board of directors**
- c) Favors the diversity of knowledge, experience and gender**

The results of the initial analysis of the needs of the board of directors are included in the substantiating report of the appointments committee, published when calling to convene the general shareholders meeting at which the ratification, appointment or re-election of each director will be carried out.

The director selection policy promotes attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The appointments committee shall conduct a yearly verification of compliance with the director selection policy, reporting thereon in the annual corporate governance report.

Comply X Partially Comply Explain

15. Proprietary and independent directors constitute a large majority of the board of directors and the number of executive directors is the minimum necessary, taking into consideration the complexity of the corporate group and the ownership interests of the executive directors in the capital of the Company.

Comply X Partially Comply Explain

16. The percentage of proprietary directors among the total of non-executive directors should be no greater than the existing proportion between the capital of the company represented by said directors and the remaining capital.

This criterion may be attenuated:

- a) In companies with high capitalization where there are few equity stakes that attain the legal threshold for significant shareholdings.**
- b) In companies that have a plurality of unrelated shareholders represented on the board of directors.**

Comply X Explain

17. The number of independent directors represents at least half of all Board members.

However, when the company is not a high cap entity or, even if being one, it has a single shareholder or several shareholders acting jointly and controlling over 30% of the share capital, the number of independent directors shall represent at least one third of the total number of directors.

Comply X Explain

18. Companies make public through their websites and regularly update the following information on their directors:

- a) Professional and biographical profile**
- b) Other boards of directors to which they pertain, regardless of whether they are listed companies or not, and all other remunerated activities regardless of their nature.**
- c) Indication of the director's category, particularly indicating the represented or related shareholder for proprietary directors.**
- d) Date of first appointment as director in the company, and the subsequent re-elections. e) Shares held in the company and options thereon of which the director holds.**

Comply X Partially Comply Explain

- 19. The annual corporate governance report, upon verification thereof by the appointments committee, explains the reasons for appointing proprietary directors at the request of shareholders whose shareholding is less than 3% of the capital; and, if necessary, the reasons for not having accommodated formal requests for presence on the board representing shareholders whose equity stake is equal to or greater than that of others at whose request proprietary directors were appointed.**

Comply Partially Comply Explain Non applicable X

- 20. Proprietary directors resign when the shareholder they represent transfers its entire shareholding. And they also do so, in the appropriate number, when such shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.**

Comply X Partially Comply Explain Non applicable

- 21. The Board of Directors does not propose the removal of independent directors before the expiry of the period for which they were nominated, except where just cause is found by the board of directors, based on the report of the appointments committee. In particular, the existence of just cause will be construed when directors move onto new posts or undertakes new contractual obligations that would hinder them insofar as the necessary time for dedication to the discharge of functions and duties inherent to the post of director, or engender situations that would cause them to lose their status as independent as established in the applicable legislation.**

The separation of independent directors may also be put forward as a result of takeover bids, mergers or other similar corporate transactions involving a change in the capital structure of the company when such changes in the structure of the board of director are caused by the proportionality criteria in recommendation 16.

Comply X Explain

- 22. The companies establish rules making it mandatory for directors to report and, if necessary, resign in cases that could damage the credibility and reputation of the Company and, in particular, apprise the board of directors of criminal cases in which they are involved as defendants and subsequent developments in proceedings.**

Should a director be indicted or a court decision handed down against him or her during a trial for any of the crimes listed in corporate legislation, the board of directors shall examine the case as soon as possible and, in light of the specific circumstances, decides whether or not the director may remain in office. The board of directors shall nevertheless provide a reasoned account of the events in the annual corporate governance report.

Comply X Partially Comply Explain

- 23. All directors express clear opposition when they feel a proposal submitted to the board of directors may be contrary to the corporate interest. And they also do so, especially independent and other directors unaffected by the potential conflict of interests, when dealing with decisions that could harm shareholders not represented on the board of directors.**

And when the board of directors makes significant or repeated decisions about which a director has serious reservations, the latter draws the appropriate conclusions and, if he or she chooses to resign, explains the reasons in the letter to which the following recommendation applies.

This recommendation also applies to the secretary of the board of directors, even though he or she is not a director.

Comply X Partially Comply Explain Non applicable

- 24. When, either by resignation or otherwise, a director leaves office before the end of his or her term, he or she explains the reasons in a letter sent to all members of the board of directors. And, regardless of whether said removal is communicated as a significant event, the reason is explained in the annual corporate governance report.**

Comply X Partially Comply Explain Non applicable

- 25. The appointments committee shall ensure that non-executive directors are sufficiently available insofar as the time dedicated to undertaking their duties correctly.**

The regulations of the board also establishes the maximum number of company boards on which its directors may sit.

Comply X Partially Comply Explain

- 26. The board of directors meets as often as necessary to perform its duties efficiently and at least eight times per year, following the schedule of dates and agendas set at the beginning of the year. Each individual director may propose items for the agenda not initially included.**

Comply X Partially Comply Explain

- 27. Director absences are kept to a bare minimum and listed in the annual corporate governance report. When such absences are unavoidable, representation is granted with the corresponding instructions.**

Comply X Partially Comply Explain

28. When the directors or the secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved during a meeting of the board of directors, at the request of the person who expressed the concern it will be recorded in the minutes.

Comply X Partially Comply Explain Not applicable

29. The company establishes the appropriate channels so that directors can obtain precise advice regarding the discharge of their duties, including, when the circumstances so require, external advice paid for by the company.

Comply X Partially Comply Explain

30. Regardless of the knowledge that directors are required to have to undertake their duties, the companies also provide directors with knowledge refresher programs when circumstances would so advise.

Comply X Explain Not applicable

31. The agenda of the sessions clearly indicates items regarding which the board of directors must reach a resolution or decision so that directors can examine or ascertain, in advance, the information necessary for adoption.

Should the chairman exceptionally seek to submit decisions or agreements not on the agenda to the board of directors for approval, for reasons of urgency, the prior and express consent of the present directors must be secured and record thereof must be made in the minutes of the meeting.

Comply X Partially Comply Explain

32. Directors should be regularly apprised of the transactions in the shareholder group and the opinion that significant shareholders, investors and rating agencies have of the company and its group.

Comply X Partially Comply Explain

33. The chairman, as responsible for the effective operations of the board of directors, in addition to the discharge of duties attributed thereto by law and bylaws, shall prepare and submit a schedule of dates and matters to address to the board of directors; organize and coordinate the regular assessment of the board and, as the case may be, the chief executive officer of the company; be responsible for managing the board and the effectiveness of its operations; ensure that sufficient time is dedicated to discussing strategic matters; and agree and review knowledge refresher programs for each director when the circumstances so advise.

Comply X Partially Comply Explain

34. In addition to the legally corresponding capacities, when there is a coordinating director, the bylaws, regulations of the board of directors attribute the following duties: preside over the board of directors in the absence of the chairman and, where pertinent, vice chairmen; articulate the concerns of non-executive directors; maintain contact with investors and shareholders to ascertain their points of view regarding corporate governance, particularly concerning the company's corporate governance; and coordinating the chairman succession plan.

Comply Partially Comply Explain Non applicable

35. The secretary of the board of directors particularly ensures that the engagements and decisions of the board of directors consider the good governance recommendations contained in this Code of Good Governance that apply to the company.

Comply Explain

36. Once yearly, the board of directors in plenary session shall examine and adopt, as the case may be, an action plan for rectifying deficiencies detected in relation to:

a) Operating quality and efficiency of the board of directors

b) Operation and composition of its committees

c) Diversity in the composition and capacities of the board of directors

d) Performance of the chairman of the board of directors and company CEO

e) Performance and contribution of each director, particularly considering the heads of the various committees of the board

Assessments of the different committees shall be based upon the reports that they submit to the board of directors, which will in turn make its assessment based on the report submitted by the appointments committee.

Every three years, the board of directors will receive assistance to conduct the assessment from an external consultant, whose independence shall be verified by the appointments committee.

The business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group must be broken down in the annual corporate governance report.

The assessed process and areas will be described in the annual corporate governance report.

Comply Partially Comply Explain

37. When there is an executive committee, the membership structure of the various director categories are similar to that of the board of directors and its secretary shall be the secretary of the board.

Comply X Partially Comply Explain Non applicable

38. The board of directors is always apprised of the matters discussed and the decisions made by the executive committee and all members of the board of directors receive copies of the minutes of the meetings of the executive committee.

Comply X Partially Comply Explain Non applicable

39. The members of the audit committee, and particularly the chairman thereof, shall be appointed in consideration of their knowledge and experience in accounting, auditing or risk management. The majority of said members shall be independent directors.

Comply X Partially Comply Explain

40. A unit under direct supervision of the audit committee shall assume the internal audit function to ensure that the internal information and control systems work properly, and will functionally report to the non-executive chairman of the board of the audit committee.

Comply X Partially Comply Explain

41. The head of the unit assuming the internal audit function presents its annual work plan to the audit committee; reports to it directly on any incidents arising during its work; and submits a report of activities at the end of each year.

Comply X Partially Comply Explain Non applicable

42. In addition to the ones attributed by law, the following duties correspond to the audit committee:

1. With regard to information systems and internal control:

a) Supervise the drawing up process and the integrity of the financial information related to the Company and, where appropriate, to the Group, revising compliance with the regulatory requirements, the proper setting of the consolidation scope and correct application of the accounting criteria.

- b) **Ensure the independence of the unit assuming the internal audit function; propose the selection, appointment, re-election and resignation of the individual responsible for the internal audit service; propose a budget for this service; approve the orientation and work plans, securing that this activity is primarily focused on the significant risks of the company; receive periodic information on its activities; and verify that Senior Management takes into account the conclusions and recommendations in its reports.**
- c) **Establish and monitor a mechanism whereby staff can report, confidentially and, if possible, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the Company.**

2. With regard to the external auditor:

- a) **In case of resignation of the external auditor, examine the circumstances that caused it.**
- b) **Ensure that the remuneration of the external auditor does not compromise the quality or independence of the auditor's work.**
- c) **Supervise that the company reports the change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and, if any, their content.**
- d) **Ensure that the external auditor maintains a yearly meeting with the plenary board of directors to brief it on the work carried out and the progress of the accounting status and company risks.** e) **Ensure that the company and external auditor observe the valid standards regarding the provision of services other than auditing, limits of concentration of the audit business and, in general, other rules, regulations and standards regarding the independence of auditors.**

Comply X Partially Comply Explain

- 43. The audit committee may call any employee or director of the Company, even ordering their appearance without the presence of any other manager.**

Comply X Partially Comply Explain

- 44. The audit committee should be apprised on the operations of structural and corporate modifications intended for the company so that it can conduct a prior analysis and report to the board of directors regarding the corresponding economic conditions and impact on the accounts, particularly, as the case may be, the proposed exchange ratio.**

Comply X Partially Comply Explain Non applicable

45. The control and risk management policy identify at least:

- a) The different financial and non-financial risk types (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liability risks and other off-balance sheet risks among the financial and economic risks.**
- b) The level of risk that the Company considers acceptable.**
- c) The planned measures to mitigate the impact of identified risks, should they materialize.**
- d) Information systems and internal control are used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Comply Partially Comply Explain

Explanation:

Gamesa's general risk control and management Policy, approved by the Board of Directors on 23 September 2015, states that the Delegated Executive Committee will define the specific numeric values of the risk limits contemplated in the specific policies. While the Delegated Executive Committee has defined, in relation to the Investment and Financing Policy, the cited specific numeric values for the limits on risks associated therewith, there are nevertheless others on which such a determination of risk level is verified by qualitative measurement references, and an objective underway is to update them with quantitative measures at the Company's risk levels.

46. Under direct supervision of the audit committee or, as the case may be, a specialized committee of the board of directors, there is an internal risk control and management function carried out by an internal company unit or department expressly having the following duties:

- a) Ensure the proper operations of risk control and management systems and, in particular, that all significant risks affecting the company are identified, managed and quantified.**
- b) Actively participate in drawing up the risk strategy and taking important decisions regarding the management thereof.**
- c) Ensure that the risk control and management systems suitably mitigate the risks within the framework of the policy defined by the board of directors.**

Comply Partially Comply Explain

47. The members of the appointments and remuneration committee (or the appointments and remuneration committees when separate) are appointed in view of their adequate knowledge, capacity and experience to carry out their duties, and the majority of the members shall be independent directors.

Comply X Partially Comply Explain

48. High cap companies have an appointments committee and a remuneration committee.

Comply X Explain Non applicable

49. The appointments committee consults the chairman of the board of directors and CEO of the company, especially on matters relating to executive directors.

Any Director may request that the appointments committee consider potential candidates to fill vacancies on the Board, if it finds them suitable.

Comply X Partially Comply Explain

50. The remuneration committee independently carries out its duties, which are, in addition to the duties attributed by law:

a) Propose the basic contract terms and conditions for senior management to the board of directors.

b) Check that the remuneration policy established by the Company is observed.

c) Regularly review the remuneration policy applied to board directors and senior management, including the remuneration systems involving shares and their application, and guarantee that individual remuneration is proportional to the consideration paid to the other directors and senior managers in the company.

d) Ensure that potential conflicts of interest do not harm the independence of external counsel provided to the committee.

e) Verify the information regarding the remuneration to directors and senior managers contained in the different corporate documents, including the annual directors' remuneration report.

Comply X Partially Comply Explain

51. The remuneration committee consults the Chairman and Chief Executive of the Company, especially on matters relating to Executive Directors and Senior Management.

Comply X Partially Comply Explain

52. The composition and operating rules of the oversight and control committees are in the regulations of the board of directors and consistent with the rules and regulations applicable to the committees by law according to the recommendations above, including:

- a) They exclusively comprise non-executive directors, with a majority of independent directors.**
- b) Their Chairmen are independent directors.**
- c) The board of directors appoints the members of these committees mindful of the knowledge, skills and experience of the directors and the duties of each committee; deliberates insofar as their proposals and reports; and renders accounts of their activity, holding them accountable for their work, during the first session of the board of directors following the respective committee meetings.**
- d) Committees may seek external advice when considering it necessary to discharge their duties.**
- e) Minutes shall be kept during their meetings and made available to all directors.**

Comply Partially Comply Explain Non applicable

53. Oversight of compliance with the corporate governance rules, internal conduct codes and corporate social responsibility policy is attributed to one or among various committees under the board of directors that could be the audit, appointments or corporate responsibility committees (if existing), or even a specialized committee that the board of directors, in the discharge of its duties of self-organization, decides to create for such a purpose; committees that will have at least the following functions:

- a) Oversight of compliance with internal codes of conduct and corporate governance rules of the company.**
- b) Oversight of the strategy for communication and relations with shareholders and investors, including small- and medium-sized shareholders.**
- c) Regular assessment of the suitability of the Company's Corporate Governance System to ensure that it complies with its mission to promote the corporate interest and, where pertinent, considers the legitimate interests of all other stakeholders.**
- d) Revision of the Company's Corporate Social Responsibility policy, ensuring that it targets the creation of value.**
- e) Tracking of the corporate social responsibility strategy and practices and assessment of its degree of compliance.**

- f) **The oversight and assessment of the processes for relations with the different stakeholders.**
- g) **The assessing of all matters relating to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.**
- h) **Coordination of the non-financial data and diversity reporting process in accordance with the applicable legislation and benchmark international standards.**

Comply Partially Comply Explain

54. The corporate social responsibility policy includes the principles or commitments that the company voluntary assumes in its relationships with the different stakeholders, and identifies at least the following:

- a) **The corporate social responsibility policy objectives and development of support instruments.**
- b) **The corporate strategy regarding sustainability, the environment and social matters.**
- c) **The specific practices in matters relating to: shareholders, employees, clients, suppliers, social matters, environmental affairs, diversity, tax responsibility, human rights and illegal conduct prevention.**
- d) **The methods or systems for tracking the results from applying the specific practices mentioned in the letter above, associated risks and the management thereof.**
- e) **The non-financial risk, ethics and corporate conduct supervision mechanisms.**
- f) **Channels for communication, participation and dialog with stakeholders.**
- g) **The responsible communication practices that prevent informational tampering and safeguard integrity and honor.**

Comply Partially Comply Explain

55. The company reports on matters related to corporate social responsibility in a separate document or in the management report, and will use any of the internationally accepted methods to do so.

Comply Partially Comply Explain

56. The remuneration of directors should suffice to attract and retain directors with the desired profile and to compensate them for the dedication, qualifications and responsibilities that the post requires, but not so high as to compromise the independence of criteria of non-executive directors.

Comply Explain

57. Executive directors shall have variable remuneration linked to the performance of the company and their personal performance, and remuneration through the delivery of shares, options or rights on shares and instruments referenced to the value of stock, and long-term savings systems such as pension plans, retirement programs or other social welfare systems.

Remuneration to non-executive directors may be made via the delivery of shares when conditioned to be retained until the end of their tenure as directors. The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.

Comply X Partially Comply Explain

58. In case of variable remuneration, compensation policies incorporate limits and technical safeguards to ensure that such remuneration conserves a relation to the professional performance of its beneficiaries and not simply derived from the general progress of the markets or the industry in which the Company participates or other similar circumstances.

And, in particular, the variable components of remuneration:

a) Are linked to measurable performance criteria that are established in advance and contemplate the risk assumed to secure a result.

b) Promote the sustainability of the company and include non-financial criteria appropriate for creating long-term value, namely compliance with the company's internal rules, procedures and policies for risk control and management.

c) Are configured on the basis of a balance between attaining short-, medium- and long-term objectives for rewarding performance for sustained efforts during a period of time sufficing to appreciate the contribution to a sustainable creation of value, so that the elements for measuring this performance are not merely based on singular, occasional or extraordinary events.

Comply X Partially Comply Explain Non applicable

59. The payment of one relevant part of the variable components of the remuneration differs for a minimum period of time sufficing to check that the previously established performance conditions have been met.

Comply X Partially Comply Explain Not applicable

60. Remuneration related to the profits of the Company take into account any reservations that are stated in the report of the external auditor's findings and that reduce profit.

Comply Partially Comply Explain Non applicable X

61. A relevant percentage of the variable remuneration to executive directors is linked to the delivery of shares or financial instruments referenced to its value.

Comply X Partially Comply Explain Non applicable

62. Once the shares or options or rights to shares corresponding to the remuneration systems have been assigned, directors may neither transfer ownership of a number of shares equivalent to twice their annual fixed remuneration nor exercise stock options until a period of at least three years from assignment has elapsed.

The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.

Comply Partially Comply Explain X Not applicable

Explanation:

On 23 September 2015, the Board of Directors of GAMESA approved the "Director Remuneration Policy", which includes the possibility that long-term remuneration plans with systems based on delivering shares in the company establish suitable minimum retention periods for the received shares. However, the most recent Long-Term Incentive Plan approved by the 2013 General Meeting, whose measurement period ended on 31 December 2015, does not contemplate a share retention period.

63. The contractual agreements include a clause enabling the company to reclaim reimbursement of the variable components when payment has not been adjusted to the performance conditions or made attending to data whose inaccuracy is only subsequently appreciated.

Comply X Partially Comply Explain Non applicable

64. Payments upon termination of the contract do not exceed an established amount equivalent to two years of the total annual remuneration and not settled until after the company has checked that the director has satisfied the previously established performance criteria.

Comply X Partially Comply Explain Non applicable

H OTHER INFORMATION OF INTEREST

1. If there is a materially relevant aspect of corporate governance in the Company or Group entities that has not been discussed in other sections of this report, but which it is necessary to include to present more complete and reasoned information on the structure and governance practices in the Company or its Group, explain briefly.

(A.2)

In addition to the information included in the table on significant stake in section A.2, it is relevant to indicate that at the close of 2016 the company OZ MASTER FUND LTD held a significant stake of 2.041% in the capital of GAMESA based on the total voting rights linked to the exercising financial instruments as reported to the Spanish Securities Market Commission (CNMV). This information is not contained in the table included in section A.2, which called for significant stake of the Company, and not the inclusion of significant stake based on voting rights linked to the execution of financial instruments.

Further, the companies OZ MASTER FUND LTD and FIDELITY INTERNATIONAL LIMITED respectively hold stake of 2.041% and 1.062% in the share capital of GAMESA, thus within the cases contemplated in article 32 of Spanish Royal Decree 1362/2007, which states that the percentage for consideration as significant is reduced to 1% when the entity with the duty to report resides in a tax haven or country or territory with no taxation, or with which there is no effective exchange of tax information in accordance with the pertinent legislation currently in force.

It should likewise be noted that, regarding the significant stake of FIDELITY INTERNATIONAL LIMITED, the direct holding grants no voting rights in GAMESA, since none of the direct holders indicated by FIDELITY INTERNATIONAL LIMITED in its communication to the CNMV exceeded the 1% direct holding threshold insofar as the share capital of GAMESA.

Additionally, OZ MASTER FUND LTD reported to the CNMV that on 13 January 2017 its percentage of voting rights linked to the execution of financial instruments in GAMESA dropped under 2% to 1.815%.

Lastly, NORGES BANK notified the CNMV that on 19 January 2017 its percentage of voting rights in GAMESA dropped under 3% to 2.992% and that it is therefore no longer a significant shareholder.

(A.3)

In addition to the information provided in section A.3, Gema Góngora Bachiller, member of the Board of Directors until 14 September 2016, holds no shares in the Company.

(A.8)

In addition to the information provided in section A.8, GAMESA has entered into a currently valid liquidity contract with Santander Investment Bolsa, which was reported to the CNMV through Significant Event No. 176071 on 31 October 2012.

The CNMV was also notified of transactions carried out during 2016 within the scope of the referred liquidity contract via Significant Event Nos. 234.556, 238.138, 241.857, 244.421 and 247.856.

(A.9 bis)

In addition to the information provided in section A.9 bis, the estimated floating capital does not include the significant stake of OZ MASTER FUND LTD detailed in this very same section H regarding section A.2., since this is a significant stake that cannot be considered as floating capital by any means whatsoever, even though it could not be included as such in section A.2.

(B.4)

In addition to the information provided in section B.4, four shareholders holding a total of twelve thousand, eighty-six (12,086) shares used the electronic voting system in the Ordinary General Shareholders Meeting in 2016.

Moreover, twenty-six shareholders holding a total of one hundred and seventy-six thousand, six hundred and ninety-seven (176,697) shares used the electronic voting system in the Extraordinary General Shareholders Meeting held on 15 October 2016.

(C.1.2)

In addition to the information provided in section C.1.2, the appointment of seven new members of the Board of Directors was approved during the Extraordinary General Shareholders Meeting held on 25 October 2016, and their appointment is conditioned to the entry onto the Companies Register of Bizkaia of the deed of merger between GAMESA and SIEMENS WIND HOLDCO.

The newly appointed Directors are:

- Rosa María García García, as non-executive proprietary director.
- Mariel von Schumann, as non-executive proprietary director.
- Lisa Davis, as non-executive proprietary director.
- Klaus Helmrich, as non-executive proprietary director.
- Ralf Thomas, as non-executive proprietary director.
- Klaus Rosenfeld, as non-executive independent director.
- Swantje Conrad, as non-executive independent director.

As the Company reported to the CNMV through Significant Event No. 242882 on 19 September 2016, all members of Gamesa's Board of Directors made their positions available to the Company to ensure that the composition of the Board of Directors on the merger's effective date will be as contemplated in section 8.2 of the Merger Project.

(C.1.3)

In addition to the information provided in section C.1.3, the following is a brief profile of the Executive and Proprietary Directors:

EXECUTIVE DIRECTORS

Ignacio Martín San Vicente

Born in San Sebastián (Guipúzcoa). He is currently Chairman of the Board of Directors and Chief Executive Officer, and Chairman of the Executive Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds an Electronic Superior Engineering Degree from the University of Navarra.

Along his professional career he has held different posts in companies like GKN Automotive International (1987-1998) where he held the post of CEO in the United States and General Director of the Group for America, among others. Likewise he was Deputy General Director to the Chairman of Alcatel España (1998-1999); General Director of Operations in Europe in GKN Automotive Internacional (1999-2001) and Deputy Chairman in CIE Automotive having previously held the posts of Chief Executive Officer (2002-2010) and Executive Deputy Chairman (2010-2011) in the aforementioned company.

Currently he is Independent Director in Bankoia-Credit Agricole. Likewise he is Director in the Board of Directors of APD (Asociación para el Progreso de la Dirección) and member of the Strategic Committee of CEIT.

Carlos Rodríguez-Quiroga Menéndez

Born in Madrid. He currently holds the position of Member of and Secretary to the Board of Directors and Secretary (non Member) of the Executive Committee, of the Audit and Compliance Committee, of the Appointment Committee and of the Remuneration Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He holds a Law Degree from the Complutense University of Madrid.

Diploma-holder of Employment Law from the Legal Practice School of Madrid.

Diploma-holder in Comparative Industrial Relations and in European Community Relations from the Secretariat of State for Relations with the European Community.

Practicing lawyer.

Currently he performs tasks as Director of or as Secretary to the Board of Directors, among other positions, in the following companies: Audiovisual Española 2000, S.A., Construcciones Sarrión, S.L., Rodríguez-Quiroga Abogados, S.L. and member of the Fundación Pro Real Academia de Jurisprudencia y Legislación.

PROPRIETARY DIRECTORS

Sonsoles Rubio Reinoso

Born in Segovia, she holds the position of Member of the Board of Directors and of the Audit and Compliance Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

She holds a degree in Economics and Business from the Universidad Autónoma of Madrid.

She completed her training as post graduated at ICEA, IESE and *Centro de Estudios Financieros*. She is also Certified Internal Auditor (Institute of Internal Auditors), Certified Fraud Examiner (Association of Certified Fraud Examiners), Certified Compliance&Ethics Professional (Society of Corporate Compliance and Ethics) and Leading Professional in Ethics & Compliance (Ethics & Compliance Initiative).

Sonsoles Rubio is Compliance Chief Officer in Iberdrola, S.A. since January 2013. Her professional career has been performed in the internal audit department of enterprises like Repsol YPF, S.A., Holcim (España), S.A. (1999-2008) and Iberdrola, S.A., company she joined in 2008 as Internal Audit Manager of Renewable Business in Iberdrola, S.A.

She is Member of the Steering Committee of the *Instituto de Auditores Internos*.

Throughout her career she has published articles and given many talks in national and international conferences.

Francisco Javier Villalba Sánchez

Born in Valencia, he holds the position of member of the Board of Directors, of the Appointments Committee and of the Remuneration Committee of GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

He is Civil Engineer by the Polytechnic University of Valencia and has also fulfilled a Program of Development of Senior Management in the Management School of IESE Business School (University of Navarra).

Until February 1, 2016 and since 2010, he held the post of general director of Networking Business of the Iberdrola group.

Along his professional career he has held different posts in Hidroeléctrica Española and, afterwards, in the Iberdrola group, in which he has held, among others, the following posts: Networking Business Director Spain (2006-2010), Distribution Area Director (2001-2006), Production Business Unit Director (1997-2001), Hydraulic Generation Director (1994-1997), East Zone Generation Director (1991-1994), Exploitation Unit Manager in Valencia (1989-1991), Cortes-La Muela Hydroelectric Capture Construction Director (1982-1989) and Civil Works Manager in the construction of the Nuclear Power Station of Cofrentes (1976-1984).

Until February 1, 2016 he held the following posts in the Board of Directors of the companies detailed next: Chairman Director of Elektro Electricidade e Serviços, S.A., Chairman Director of Iberdrola USA Networks, Inc., Chairman Director of Iberdrola Distribución Eléctrica, S.A., Joint Administrator of Iberdrola Redes España, S.A. and Chairman Director of Scottish Power Energy Networks Holdings Ltd.

Likewise, until February 9, 2016 he held the post of Joint Administrator of Iberdrola Redes España, S.A.

Gerardo Codes Calatrava

Born in Madrid, he holds the position of Member of the Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and of its Executive Committee.

State's Attorney.

Holds a Degree in Law from the Universidad Pontificia Comillas (ICADE) as Lawyer-Corporate Counsel.

He started his professional career as State's Attorney in Lleida and Valencia and later, in 2011, he joined the Iberdrola Group. Within the Iberdrola Group he occupied the post of Chief of the Department of Tax Litigation Legal Services, Director of Legal Services of Corporate Resources and Control and Director of Legal Services of Regulation and Corporate Issues.

Nowadays he is the Director of Global Legal Services of Regulation and Corporate Issues of the Iberdrola Group. Likewise he holds the post of Secretary of the Board of Directors of Torre Iberdrola, AIE, as well as of the Audit and Compliance Committee of Iberdrola España, S.A.

He is Academic of the Real Academia de Jurisprudencia y Legislación.

(C.1.7)

In addition to the information provided in section C.1.7, Gema Góngora Bachiller was external proprietary director of GAMESA from her appointment on 27 May 2015 at the request of Iberdrola, S.A., subsequently re-elected on 22 June 2016 and until her resignation on 14 September 2016.

(C.1.15)

In addition to the information provided in section C.1.15, please note that:

a) pursuant to articles 45.3 and 45.6 of the Corporate Bylaws of GAMESA and as agreed by virtue of the fifteenth resolution of the agenda of the 2015 General Shareholders Meeting, the remuneration of the Company to all directors as fixed annual remuneration and allowances for their dedication and attendance does not exceed the maximum amount of three million euros (€3,000,000) established by the cited General Shareholders Meeting, as such consideration is compatible with and independent of the remuneration received by executive directors.

b) remuneration to the board of directors included, in accordance with the Annual Directors' Remuneration Report, the amount corresponding to the part of the incentive comprising shares delivered during 2016, which was accrued by the chairman and CEO regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. The cited amount was calculated by the average listed share price on the resolution date (€15.81). In particular, the chairman and CEO's right to the delivery of 189,759 shares was recognized, verified at 50% (94,880 shares, which amounted to the delivery of 61,672 after the appropriate tax withholding) within the first 90 days of fiscal year 2016 and the remaining 50% (94,879 shares, which must also be adjusted after applying the pertinent tax withholding, according to the share's listing value on the date of the corresponding resolution), which will be delivered during the first 90 days of fiscal year 2017. The amount corresponding to shares delivered in 2017 will be included in the annual directors' remuneration report and the annual corporate governance report corresponding to 2017, calculated by the average listed share price on the date of the corresponding resolution.

c) the information shown therein coincides with the figure in Note 19.1 of the Individual Report and Note 30 of the Consolidated Report, which form part of the financial statements for fiscal year 2016.

(C.1.16)

a) In addition to the information provided in section C.1.16, remuneration to the senior management included the amount corresponding to the part of the incentive comprising shares delivered during 2016, which was accrued by all members of senior management regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. The cited amount was calculated by the average listed share price on the resolution date (€15.81). In particular, Senior Management's right to the delivery of 447,580 shares was recognized, verified at 50% (223,790 shares, though the number of shares actually delivered to each beneficiary was determined after applying the corresponding tax withholding at said value) within the first 90 days of fiscal year 2016 and the remaining 50% (223,790 shares, which must also be adjusted after applying the pertinent tax withholding, according to the share's listing value on the date of the corresponding resolution), which will be delivered during the first 90 days of fiscal year 2017. The amount corresponding to shares delivered in 2017 will be included in the annual corporate governance report corresponding to 2017, calculated by the average listed share price on the date of the corresponding resolution.

b) the information shown therein matches the figure in Note 19.1 of the Individual Report and Note 31 of the Consolidated Report, which form part of the financial statements for fiscal year 2016.

(C.1.17)

In addition to the information provided in section C.1.17, Francisco Javier Villalba Sánchez, external proprietary director held the following posts as member of the Board of Directors of significant shareholder companies and/or entities of its group until 1 February 2016:

Name or company name of the director	Company name of the significant shareholder	Position
Villalba Sánchez, Francisco Javier	Elektro Electricidade e Serviços, S.A.	Chairman Director
	Iberdrola USA Networks, Inc.	Chairman Director
	Iberdrola Distribución Eléctrica, S.A.	Chairman Director
	Scottish Power Energy Networks Holdings Ltd.	Chairman Director

Further, Gema Góngora Bachiller was external proprietary director of GAMESA from her appointment on 27 May 2015 at the request of Iberdrola, S.A., subsequently re-elected on 22 June 2016 and until her resignation on 14 September 2016. Doña Gema Góngora Bachiller was therefore linked to the significant shareholder IBERDROLA, S.A., with the post of Executive development and Management Director at Iberdrola, S.A.

(C.1.21)

In addition to the information provided in section C.1.21, according to Significant Event 242722 submitted to the CNMV on 14 September 2016, external proprietary director Gema Góngora Bachiller informed GAMESA of her resignation as voting member of the Board of Directors and Remuneration Committee on the same day.

(C.1.30)

In addition to the information provided in section C.1.30, one director was absent for one session, another director was absent for two sessions, and in these three cases the directors delegated their attendance by proxy to another director of the same category yet with no specific instructions.

In addition to the information provided in section C.1.30, in this regard, non-attendance was not considered in cases of directors in a conflict of interest who, according to article 31 of the Regulations of the Board of Directors, refrained from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters in connection with the conflict.

(C.1.33)

In addition to the information provided in section C.1.33, the Secretary Director of the Board of Directors, as lawyer and in accordance with article 21.5 of the Regulations of the Board of Directors, has acted in the capacity of legal counsel of the Board of Directors. Article 21.4 of the Regulations of the Board of Directors states indicates the duties of the Secretary, in addition to the duties assigned thereto by law or the Corporate Governance Standards.

Secretary Director of the Board of Directors of GAMESA, Carlos Rodríguez-Quiroga Menéndez, also Executive Director thereof, was reelected to his post by the General Shareholders' Meeting on 19 April 2013.

(C.1.35)

In addition to the information provided in section C.1.35, article 28 of the Regulations of the Audit and Compliance Committee of GAMESA regulates the relationships of the cited committee with the External Auditor. The full text is available at www.gamesacorp.com

(C.1.44)

In addition to the information provided in section C.1.44, by virtue of the acquisition by Gamesa Energía, S.A.U. of 50% of Adwen Offshore, S.L. on 5 January 2017 (Significant Event No. 246915), the clause regarding a possible change in control is null and void.

(C.1.45)

In addition to the information provided in section C.1.45, upon the announcement calling the Gamesa 2016 General Shareholders' Meeting, information was made available to shareholders regarding the safeguard and guarantee clauses regarding members of senior management. In particular, this information was included in GAMESA's "2015 Annual Corporate Governance Report", which was included in the complementary Management Report of the Annual Financial Statements corresponding to the year ending on 31 December 2015.

(C.2.1)

In addition to the information provided in paragraph C.2.1, Carlos Rodríguez-Quiroga Menéndez holds the position of non-member Secretary of the Executive Committee, of the Audit and Compliance Committee and of the Appointments and Remuneration Committees.

It should also be mentioned that as a result of the merger agreement signed between GAMESA and SIEMENS WINDHOLCO, and as reported to the CNMV on 17 June 2016 via Significant Event No. 239868, an Independent Directors Committee was created, independent from the Merger Committee, and comprises exclusively independent directors tasked with fostering the merger until it becomes effective (which will occur with merger's entry onto the Companies Register).

The variations occurring in the committees of the Board of Directors during and since the close of the year are listed below:

Delegated Executive Committee

During its session on 14 September 2016, and following a favorable report from the Appointments Committee, the Board of Directors agreed to appoint Gerardo Codes Calatrava as Proprietary Director of the Board of Directors of the Company, as new voting member of the Delegated Executive Committee to replace Francisco Javier Villalba Sánchez.

Remuneration Committee

During its session on 14 September 2016, and following a favorable report from the Appointments Committee, the Board of Directors agreed to appoint Francisco Javier Villalba Sánchez as Proprietary Director of the Board of Directors of the Company, as new voting member of the Remuneration Committee to replace Proprietary Director Gema Góngora Bachiller.

(C.2.5)

In addition to the information provided in section C.2.5, in its session on 22 February 2017 the Board of Directors of GAMESA approved the amendment of the Regulations of the Audit and Compliance Committee. The cited amendment is essentially technical in nature and its purpose is to adapt the powers of this committee to the new content in article 529 quaterdecies of the Spanish Corporate Enterprises Act. A series of reforms have also been included to further progress in the implementation of the recommendations in the Code of Good Governance.

(D.2)

In addition to the information provided in section D.2, this information is related with Note 32 of the Consolidated Report incorporated in the 2016 Financial Statements.

It should also be noted that the amount attributed to "Received services" of IBERDROLA, S.A., included in cited Note 32 of the Consolidated Report, corresponds to the supply of electricity to facilities of the Gamesa Group by IBERDROLA, S.A., though this amount was not included in section D.2, since it did not merit consideration as relevant.

(D.4)

To complement the information provided in paragraph D.4 note that:

a) Gamesa Group companies established in countries or territories considered to be tax havens according to Law 1080/1991 of 5 July 1991, are classified as operating companies and exclusively carry out ordinary business activities.

b) GAMESA has no transactions with these companies of the Gamesa Group in countries or territories considered to be tax havens according to Decree Law 1080/1991 of 5 July, rather they affect other companies in the Group that are parent companies of the different businesses, and these transactions are:

Company name of the entity in its group	Brief description of the transaction	Report (thousands of euros)
Gamesa Singapore Private Limited	Interest on intragroup financing	167
Gamesa Cyprus Limited	Interest on intragroup financing	18
Gamesa Dominicana, S.A.S.	Interest on intragroup financing	262
Gamesa Mauritius LTD	Interest on intragroup financing	19
Gamesa Cyprus Limited	Intragroup sales and rendering of services	35
Gamesa Dominicana, S.A.S.	Intragroup sales and rendering of services	104
Gamesa Mauritius LTD	Intragroup sales and rendering of services	83
Gamesa Eólica S.L. "Branch Jamaica"	Intragroup sales and rendering of services	108
Gamesa Eolica SL, Jordan	Intragroup sales and rendering of services	1,254

(D.5)

In addition to the information provided in section D.5, this information is related with Note 32 of the Consolidated Report incorporated in the 2016 Financial Statements.

2. Within this paragraph can also be included any other information, clarification or array related to previous paragraphs of the report to the extent that they are relevant and not repetitive.

Specifically, indicate whether the company is subject to legislation different from the Spanish legislation on corporate governance and, where applicable, include the information that is required that is different from that specified in this report.

3. The company may also indicate whether it has acceded voluntarily to other ethical principles or codes of good practice, international, regional or other. In that case, the code in question and the date of accession shall be identified. In particular, indicate if the company has acceded to the Good Tax Practices Code, of July 20, 2010.

GAMESA has adhered voluntarily to various codes of ethics or codes of practice, these being the following:

- a) "United Nations Global Compact", which is promoted by the United Nations and its goal is the commitment and support to promote the ten principles of human and labor rights, environmental protection and the fight against corruption. GAMESA voluntarily acceded, as of February 2, 2005, and annually publishes a Progress Report (COP) of review of compliance with these principles.
- b) "Global Reporting Initiative (GRI)" which is promoted by the NGO Global Reporting Initiative. Its goal is to create an environment for the exchange of transparent and reliable information on sustainability through the development of an application framework common to all kinds of organizations. GAMESA acceded voluntarily as of December 14, 2005.
- c) "Caring for Climate: The business leadership platform", promoted as an initiative of the UN Global Compact. Its goal is the involvement of businesses and governments in taking action on climate change, energy efficiency, reduction of emissions of greenhouse gases (GHGs) and positive collaboration with other public and private institutions. GAMESA acceded voluntarily as of June 18, 2007.
- d) "Principles of Empowerment of Women", promoted by UN Women / UN Global Compact of the United Nations and aiming to build stronger economies, establish a more stable and just society, achieve compliance development, sustainability and human rights and improve the quality of life of women, men, families and communities. GAMESA acceded voluntarily as of December 22, 2010.

e) "Code of Conduct for the Development of Wind Farms in the State of New York," sponsored by the Office of the Attorney General of the State of New York (United States) and aiming to promote economic development and renewable energy, and promote public integrity in developing wind farms. GAMESA acceded voluntarily as of March 1, 2012.

f) "Prince of Wales Business Leaders Group on Climate Change" sponsored by The Prince of Wales Corporate Leaders Group on Climate Change. GAMESA has added its signature successively to the releases of Carbon Price (2012), Cancun (2010), Copenhagen (2009) and Poznan (2008) about climate change in the United Nations Framework Convention of the United Nations on Climate Change (UNFCCC). These accessions represent a call from the international business community to foster policies and take actions to combat climate change. GAMESA acceded voluntarily to the "Prince of Wales Business Leaders Group on Climate Change" as of January 21, 2013.

g) "Diversity Charter in Spain", promoted by the Fundación Diversidad, is an initiative supported by the European Commission and the Equality Ministry of Spain, so that the companies that voluntarily sign the Diversity Charter respect the current legislation in opportunity equality and against discrimination, and assume the basic guideline principles established in the declaration. GAMESA acceded voluntarily to the "Diversity Charter in Spain" as of November 3, 2014.

h) "Science Based Targets", a joint initiative of the Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), World Resources Institute (WRI) and WWF for the purpose of elevating corporate commitments and actions in the fight against climate change. This initiative enables companies to establish emissions reduction targets that are consistent with the decarbonization levels scientifically called for to limit global warming to 2°C in comparison with pre-industrial levels. GAMESA voluntarily adhered to this initiative on 23 November 2015.

i) "American Business Act on Climate Pledge", promoted by the government of the United States of America with a view to backing the fight against climate change and calling on its parties to adopt a firm commitment at the Paris Summit (COP 21) on 30 November 2015.

j) "Paris Pledge for Action", an inclusive initiative from the French presidency of the COP21 managed by the University of Cambridge Institute for Sustainability Leadership (CISL) that invites companies, regions, cities and investors to join together and take action to further the results of the ONU's Paris Agreement on Climate Change. Over 400 companies, 150 cities and regions, and 120 investors have currently joined this initiative. voluntarily adhered to this initiative on 4 December 2015.

Regarding the Code of Good Tax Practices of 20 July 2010, the Board of Directors of GAMESA approved the adherence thereto in its session on 22 February 2017 and subsequently the notification to the Spanish Tax Authorities (Agencia Estatal de Administración Tributaria) of the adherence thereof.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on February 22, 2017.

Indicate whether any Directors voted against or abstained from the approval of this report.

Yes

No

Name or company name of director who did not vote in favor of the adoption of this report	Reasons (against, abstention, absence)	Explanation of the reasons

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 management report 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 148 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

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2016

GAMESA CORPORACIÓN TECNOLÓGICA, S.A.

(Translated from the original in Spanish)

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Auditor's report on information relating to the internal control over financial reporting (ICFR) of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. for 2016

To the Directors,

At the request of the Board of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. (hereinafter the Company), and in accordance with our proposal dated December 2, 2016, we applied certain procedures to the accompanying "ICFR-related information" included in the Corporate Governance Report, hereinafter CGR, (English version pages 70 to 87) for GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and subsidiaries for 2016, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Company's internal control system as a far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Company's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Company's 2015 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with Royal Decree 1/2011, dated July 1, enacting the revised Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular n° 7/2015 dated December 22, 2015.
2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Company.
3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the the Audit Committee.
4. Compare the information contained in section 1 above with the Company's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.
5. Read the minutes of the Board Meetings, Audit Committees, and other Company committees in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.
6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Corporate Enterprises Act, by Circular number 7/2015 of the Spanish National Security Market, related to the description of the ICFR in the Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Alberto Peña Martínez
February 23, 2017