27 July 2016

January-June 2016 Results

GAMESA INCREASES GUIDANCE FOR 2016 AND ADVANCES WITH ITS LONG-TERM STRATEGY

After the first quarter's strong commercial performance and profitable growth trends were sustained through the second quarter, Gamesa Corporación Tecnológica[1] reached mid-year 2016 with record orders, sales and profitability. This performance in excess of projections made at the beginning of the year supports an upgrade of the 2016 guidance for volume (≥ 4.000 MWe) and operating profit (underlying EBIT ≥€430mn).

Strong commercial activity arising from a growth-oriented competitive position resulted in record order intake in the second quarter:1,180 MW[2], 16% more than in the same period of 2015, which raised order intake in the last twelve months to 4,259 MW. Total order intake in the first half was 2,211 MW and the order book stood at 3,228 MW at the end of June, exceeding 100% coverage[3] of the initial low end guidance for volume in 2016 (3,800 MWe) which supports an upgrade to the full-year guidance (≥ 4,000 MWe).

Financial performance in the first half was also strong, with revenues up 33% year-on-year to €2,192 million. Underlying EBIT amounted to €230 million[4] in the first half, i.e. 70% year-on-year growth, and the EBIT margin was 10.5%, 2.3 percentage points more than in the same period of 2015. Underlying net profit[4] pre-Adwen increased by 76% in H1 2016 to €151 million. Consolidating Adwen had a negative impact of €13.5 million on net profit; including this, net profit would have amounted to €138 million.

This growth in profitability combined with focused investment in working capital, which was reduced by 53% y/y to 3.2% of revenues[5], and in capex, which rose €30 million year-on-year, enabled Gamesa to achieve a 22% ROCE and maintain its commitment to a sound balance sheet, having ended the first half of 2016 with a net cash position of €287 million.

Gamesa is advancing with its long-term strategy and has announced an agreement to merge with Siemens Wind Power to create a global leader in the wind power business.

Main consolidated figures for H1 2016:

- **Revenues:** €2,192 million (+32.8% y/y)
- **Underlying EBIT pre-Adwen[4]**: €230 million (+69.7% y/y)
- **Underlying net profit pre-Adwen[4]:** €151 million (+75.9% y/y)
- **NFD (Cash)[6]:** -€287 million (-0.5x EBITDA[7])
- **MWe sold:** 2,180 MWe (+47.1% y/y)

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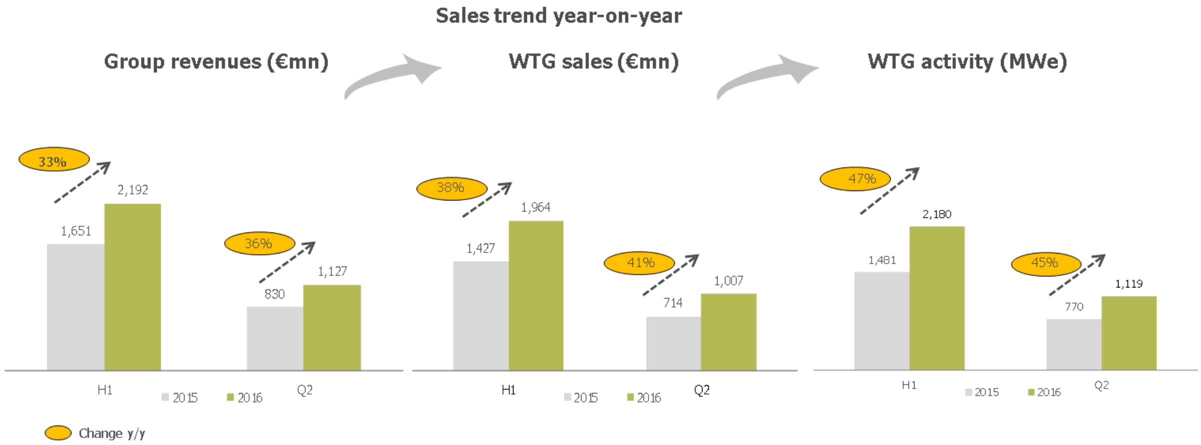
[1] Gamesa Corporación Tecnológica engages in wind turbine manufacture, which includes the development, construction and sale of wind farms, as well as O&M services.
[2] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years, including 916 MW signed in Q2 16 and announced in Q3 16
[3] Coverage based on total order intake through 30 June 2016 for activity in 2016 (>3,800 MWe in February 2016)
[4] In the first half of 2016, underlying net profit pre-Adwen excludes items amounting to -€13,5 million relating to Adwen (equity method). EBIT and underlying net profit pre-Adwen in the first half of 2015 are expressed net of items amounting to €29 million and €11.2 million, respectively. Year-on-year variations are calculated excluding those items in both years.
[5] Ratio of working capital to revenues in the last twelve months.
[6] Net financial debt means interest-bearing debt, including subsidised loans, derivatives and other current financial liabilities, less other current financial assets and cash.
[7] Underlying EBITDA pre-Adwen in the last twelve months.

- **Firm order intake:** 2,211 MW (+20.5% vs. H1 2015)

Gamesa Corporación Tecnológica ended the first half of 2016 with €2,192 million in revenues, 33% more than in the same period of 2015, due to strong growth in wind turbine manufacturing and sales. At constant exchange rates, revenues increased by 40% y/y to €2,307 million.

Revenues in the Wind Turbine Generator (WTG) division increased by 38% y/y, to €1,964 million, due to growth in activity volume to 2,180 MWe in the first half, 47% more than in the same period of 2015. That growth was distributed over practically all regions: Europe/RoW, Latin America, the US and India. APAC (including China) was the only region that did not achieve double-digit growth in the first half, but it is expected to recover in the second half and to register double-digit growth in the full year. The decline in revenues in China in the first half also resulted in a reduction in the category of financial customers and industrial developers, grouped under "Others", while electric utilities and IPPs continue to evidence solid growth.

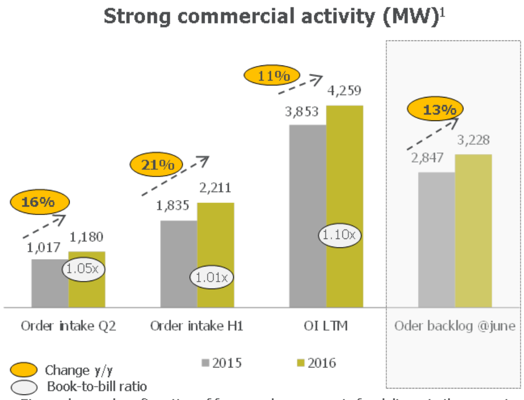


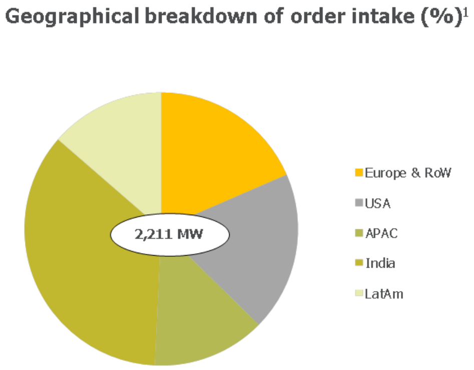
Revenues from O&M services amounted to €228 million, i.e. 2% higher than in H1 2015, or 4% at constant exchange rates, in line with 4% year-on-year growth in the post-warranty fleet under maintenance, which reached 15,486 MW at the end of the first half**.** The first signs of a recovery in the total fleet under maintenance were detected in the first half: 7% growth since 2015 year-end and 9% year-on-year, to 22,436 MW, boost by growth in the fleet in emerging markets, in line with the projections of the business plan 15-17E projections.

Growth in sales volume in the period and the improved outlook for 2016 are the result of the company's strong competitive positioning in markets with current and projected above-average growth rates, and of a positive general demand environment. 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.

As a result of that positioning, the company signed **1,180 MW**[8] **of orders in the second quarter, 16% more than in the same period of 2015,** which raised **total order intake to 2,211 MW in the first half of 2016 and to 4.3 GW in the last twelve months,** i.e. exceeding the 4 GW projected for 2016 and equivalent to **a book-to-bill ratio of** [9]**1.10**. **The order book at end-June 2016 stood at 3,228 MW, i.e. 13% more than** at 30 June 2015, **and exceeding 100% coverage of the low end** [10]**of the volume guidance for the full year (3,800 MW), which supports an upgrade to the full-year guidance (≥ 4,000 MWe)**.

[8] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q2 2016 (916 MW) that were published individually in Q3 2016.
[9] Book-to-bill ratio (MWe) in the last twelve months.
[10] Coverage calculated as orders received for activity in 2016 with respect to the February 16 activity guidance for 2016 (> 3,800 MWe)

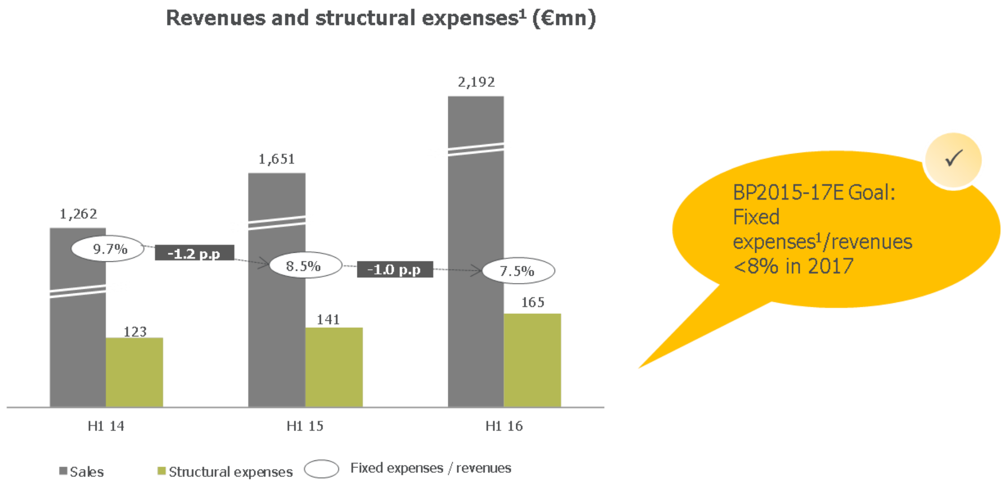




1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years, including 916 MW signed in Q2 16 and announced in Q3 16)

Order intake in the period included a strong contribution from new generations of products: the G114 2.0-2.5 MW, whose contribution rose from 45% of order intake in the first half of 2015 to 55% in the same period of 2016. Also, in geographical terms, Gamesa retains its leading position in developing markets while strengthening its presence in mature markets. India, China, the US and Brazil are the countries where order intake increased the most.

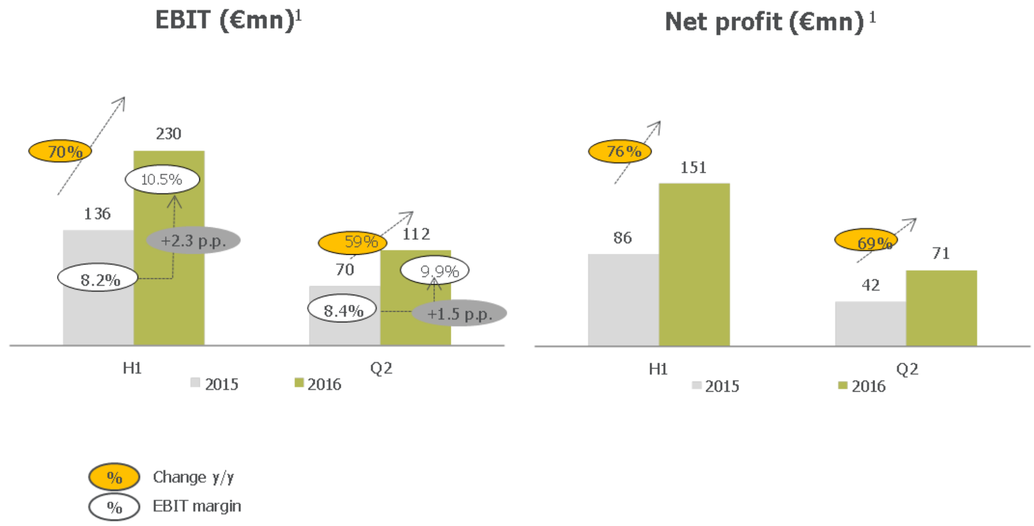
In this context of growing activity, Gamesa remained focused on controlling structural costs so as to maintain a low break-even point. As a result, at the end of June 2016, structural expenses[11] amounted to 7.5% of revenues, i.e. within the objective for 2017 set in the business plan 2015-2017E.



1. Structural expenses with a cash impact (excluding D&A)

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 profitability in excess of the manufacturing business) and steadily increasing total operating profitability. Additionally, during the first half of 2016, and particularly during the first quarter, profitability was boosted by a favourable project mix and scope. Meanwhile, performance by the currencies in which Gamesa operates had a negative exchange rate impact of 0.2 percentage points, in line with the 2016E guidance (± 0.5% p.p.). **As a result, Gamesa ended the first half of 2016 with an underlying EBIT margin of 10.5%**, over two percentage points higher (+2.3 p.p.) than in the same period of 2015[12], while **underlying EBIT amounted to €230 million, 70% more than in the same period of 2015.**

[11] Fixed expenses with a cash impact, excluding depreciation and amortisation.
[12] EBIT and EBIT margin in 2015 excluding non-recurring impact of capital gains from the creation of the Adwen joint venture, which amounted to €29 million in 1Q15 (no impact in the remainder of 2015).

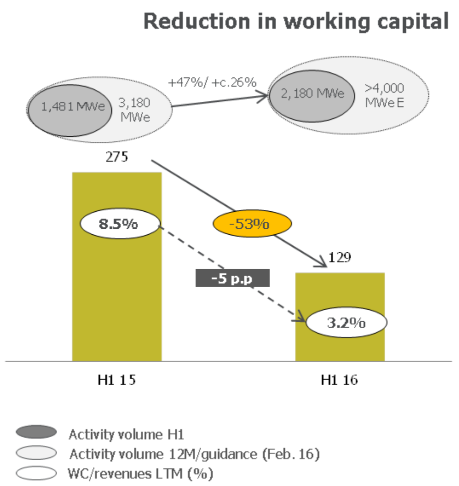


1. EBIT excluding impact of capital gains on the creation of Adwen in H1 15 amounting to €29mn (no EBIT impact in H1 16). Net profit excluding impact of consolidating Adwen -€13.5mn in H1 16, and impact of capital gains and Adwen consolidation in H1 15 amounting to €11.2mn net

As a result of firming growth in volume and revenues and of rising business profitability, **Gamesa's underlying net profit (pre-Adwen) increased by 76% to €151 million[13] in the first half of 2016.**

Adwen (equity method) had a negative impact of €13.5mn in the first half, taking reported net profit to €138 million, i.e. 42% more than in H1 2015, when net profit included the positive impact of €29 million in gross capital gains on the creation of Adwen (€21 million net of taxes) and a negative impact of €10 million from consolidating Adwen.

In this environment of strong growth in activity and profitability, **Gamesa continues to exert strict control over working capital, which stood at €129 million** in the first half of 2016, **equivalent to 3.2% of revenues, over 5 percentage points lower than in the same period of 2015.** Average working capital has been reduced by €131 million in the last twelve months, to 4.1% of revenues, vs. 9.1% in June 2015.

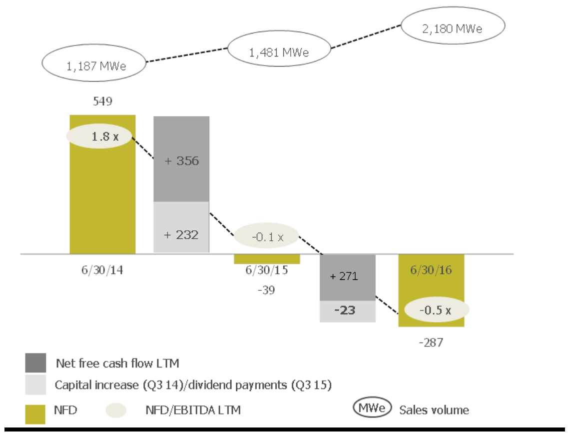


Applying a modular capex policy tailored to growth needs**, Gamesa invested €85 million** in H1 2016, i.e. 4.9%[14] of LTM revenues, in line with the guidance for the year (4%-5% of revenues). Investments in the first half were focused on new products (blade moulds and construction elements, plus appropriate logistics) in the regions in which Gamesa operates.

[13] Underlying net profit pre-Adwen, excluding a -€13.5 million negative impact of Adwen in H1 2016. Impact of Adwen on net profit in H1 2015: +€11.2 million
[14] Capex LTM / LTM revenues

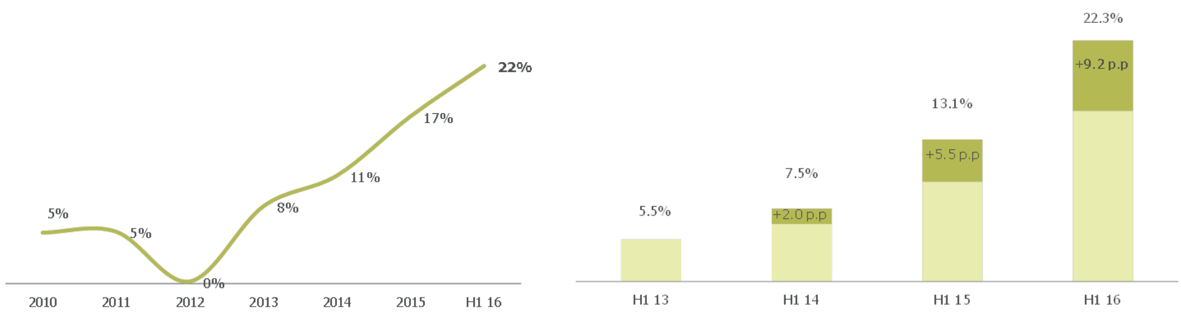
This control of capex and working capital in a context of profitable growth enabled **Gamesa to end the first half of 2016 with a net cash position of €287 million on the balance sheet,** equivalent to -0.5x EBITDA[15]**, up from €39 million at 30 June 2015, in line with the goal of achieving sound finances.** This net cash position represents €271 million of net free cash flow generation in the last twelve months.

NFD trend y/y in H1 (€mn)



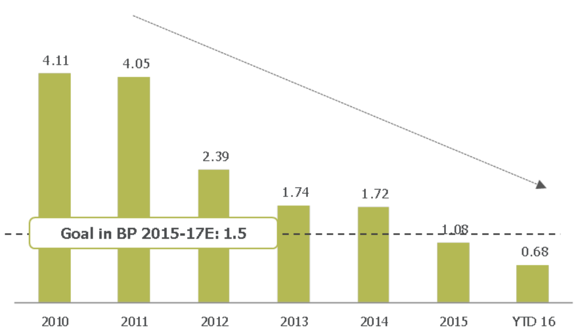
The combination of profitable growth and control of capex and working capital enables Gamesa to continue fulfilling its commitment to creating shareholder value, with a **ROCE of 22%**, nine points more than in the first half of 2015.

ROCE



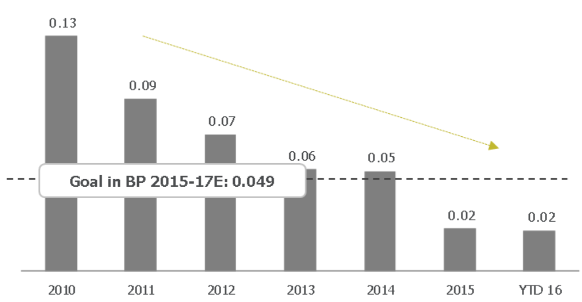
In the context of fulfilling its targets and steadily improving performance, Gamesa also met its goals in the area of workplace health and safety, continuing to improve accident frequency and severity indices ahead of the goals set for the end of the business plan.

Frequency index¹



¹ Frequency index: No. of accidents with days lost * 10^6/No. of hours worked

Severity index²

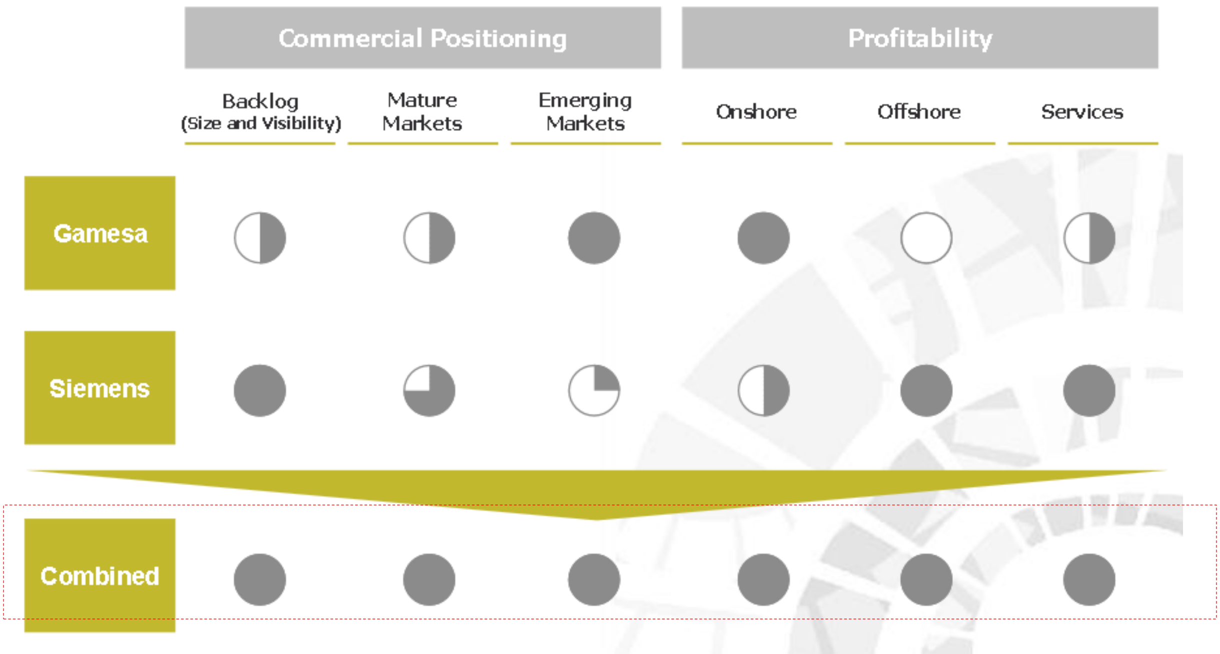


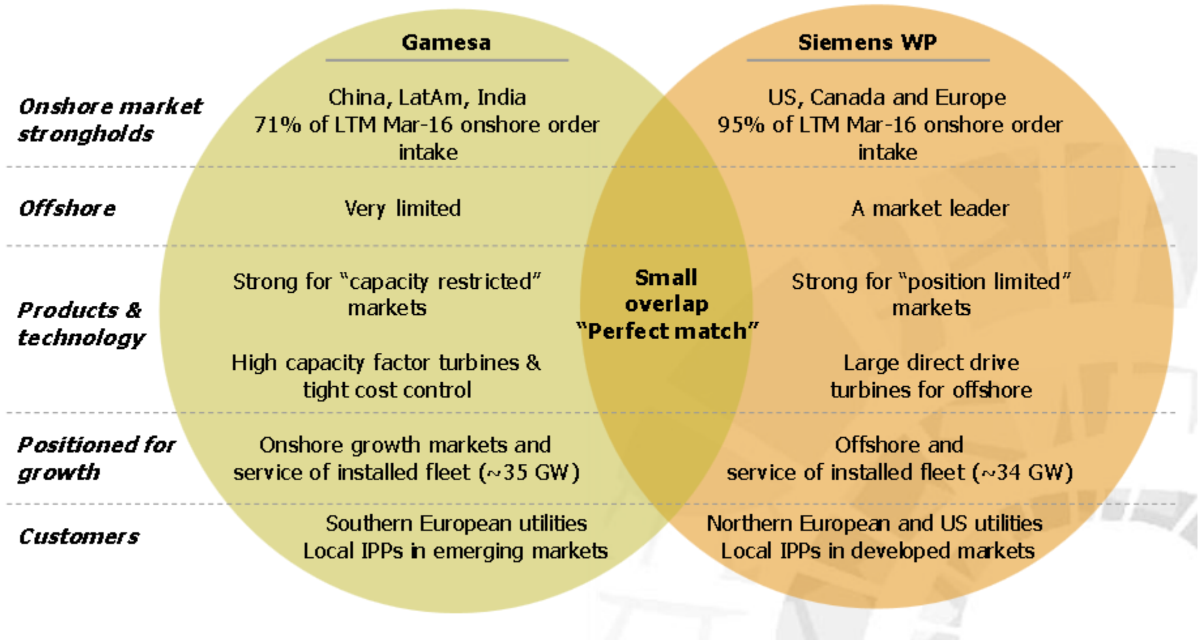
² Severity index: No. of days lost * 10^3/No. of hours worked

[15] Underlying EBITDA pre-Adwen LTM

In addition to advancing toward its goals for the year, **in the first half Gamesa made 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 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.

Highly complementary groups



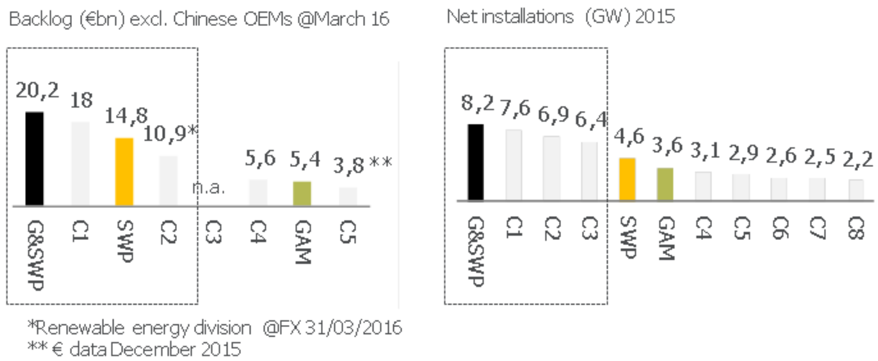


I. **Optimal value proposition and cost of energy for our customers** due to the advantages of scale, global reach and an exhaustive and complementary product and service offer.

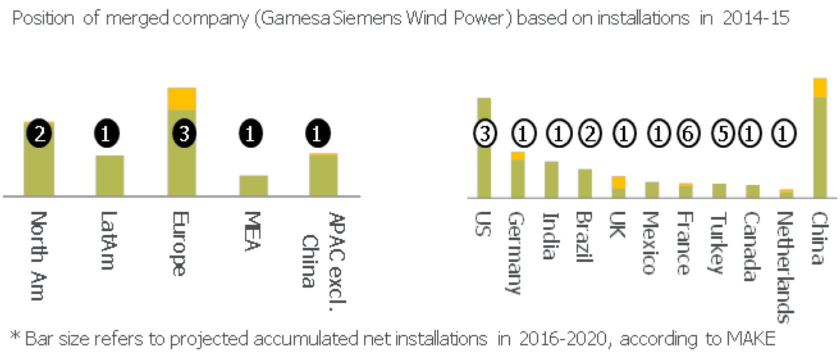
   I. **Scale:** 69 GW installed (relevant position in installations in 2015: 8.2 GW) and 47 GW under maintenance; a total order book of €20.2 billion, the largest in the industry; and €9.3 billion in revenues in the last twelve months (to March 2016).

	Proforma merged company[4]
Backlog (WTG & O&M)[2]	€20.2 bn
Revenues LTM[1]	€9.3 bn
Underlying EBIT LTM[1]	€839 m
Underlying EBIT margin LTM[1]	9.1%
Net cash position[2]	Cash positive
Accumulated installed fleet[2]	69 GW
MW installed LTM[1]	9.2 GW
GW under maintenance[2]	46.9 GW

1. LTM: last twelve months to March 2016
2. At 31/03/2016
3. Including normalization adjustments (+€74mn), standalone (+€114mn) and consolidation scope (-€8mn)
4. Excluding transaction adjustments, synergies and integration costs



   II. **Global reach** and leadership in the main markets by combining Gamesa's position in emerging markets, Siemens' lead in offshore, and their combined services businesses. In operation and maintenance, the merged company will have the second-largest fleet in the industry, an order book of c. €8.4 billion, and a worldwide maintenance and repair network with c. 5,500 employees.



III. **A comprehensive portfolio of products and services** and access to the broadest range of technologies (with and without gearbox, and both onshore and offshore) in order to define the best forward path for the product portfolio. The combined company will have a product offering that covers all wind categories and meets the needs of a broad range of customers and key market segments, as well as having leading products [16]in onshore (2 MW and 3.3 MW) and offshore (7 MW).

II. **Value creation proposition for all stakeholders: shareholders and employees, suppliers, as well as customers, that is sustainable over the medium and long term** as a result of:

I. **Extension of the growth profile** through access to markets with above-average growth prospects in different time horizons: onshore in emerging markets in the short and medium term; offshore in the medium and long term; and services in all terms.

II. **The high potential for synergy generation**, estimated at €230 million at EBIT level from year 4 (50% of that from year 2), and integration costs amounting to c.€200 million, i.e. less than one year's synergies. Those synergies will help maintain current leadership in profitability in a future context that is expected to be increasingly competitive.

III. **A lower risk profile** as a result of:
- the visibility provided by the largest order book in the industry: €20.2 billion (March 2016), including onshore projects (26% of the total) for 2016-18, offshore (33%) for 2016-2020, and maintenance (41%) with an average contract term of 8 years.
- diversification in terms of countries, customers and businesses; and
- a commitment to a sound balance sheet.

IV. **Respect for existing relations and for commitments** to all stakeholders: customers, suppliers, employees and shareholders. The merger is an opportunity to create value for these stakeholders.

All this **in a context of positive demand prospects but changing competitive conditions in which we expect the cost of energy to become the main driver in investment decisions,** following the introduction of competitive auctions and considering that other renewable energy sources are becoming more competitive.

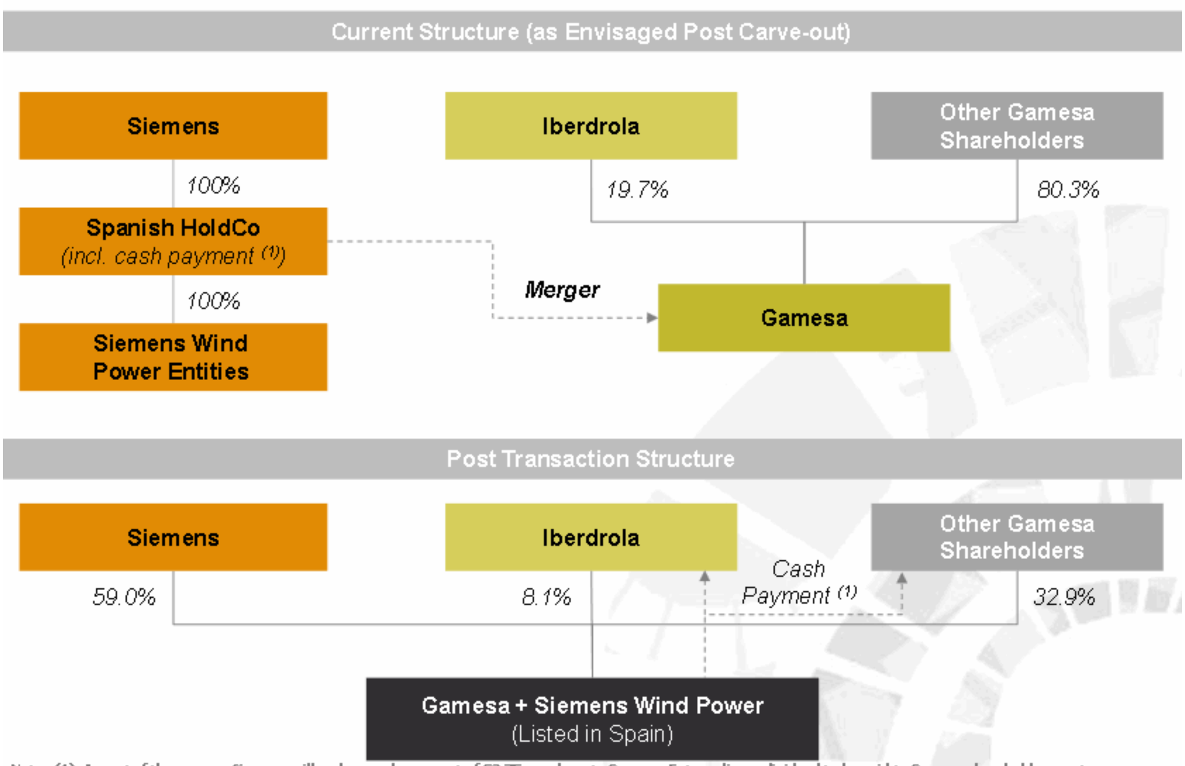
The merger is also supported by the core shareholders: Siemens and Iberdrola. Siemens will be a strategic partner of the new company at world level, maintaining financial support for the offshore business, and will also be one of the suppliers of components, while ensuring the utmost competitiveness and sustainability in the supply chain. Gamesa keeps the right to award a significant part of its purchase volume to third parties, at its full discretion. Therefore this agreement should not necessarily affect Gamesa’s global sourcing strategy, and particularly its current relationships with suppliers, contractors and partners, which in turn will have access to new business opportunities and markets. Iberdrola will maintain its stake in the merged company, supporting Gamesa's industry model. Iberdrola is a world leader in renewable energy and continues to invest in those technologies as a core component of its strategy.

After the merger, Gamesa shareholders will own 41% of the merged company and Siemens 59%. In addition, and as part of the transaction, Gamesa shareholders will also collect an extraordinary dividend of €3.75 per share, net of any dividend that they collect from the date the merger was announced till its completion[17]. The payment of this extraordinary dividend will be funded by a cash contribution of Siemens, as part of its contribution, of 1,047 MM €.

[16] Wind Power Monthly figures 2014/2015

[17] The cash dividend will be paid 12 days after the merger takes place to the shareholders of record (of standalone Gamesa) as of five days prior to that payment. The dividend collected by Gamesa shareholders in July 2016 (€0.15/share) and any other dividend that is paid up to the effective merger date will be deducted from that amount.

The company will continue to be listed in Spain, with registered offices in Zamudio, and will have the onshore centre in Spain and offshore centres in Germany and Denmark. The transaction, which is expected to be completed in the first quarter of 2017, is contingent upon approval by the shareholders of Gamesa[18], Siemens being exempted by the CNMV from the obligation to make a tender offer to Gamesa's current shareholders, and clearance by the various competition authorities. Upon signature of the merger agreement, a binding agreement was reached with Areva[19] to eliminate the contract restriction associated to Adwen.



Note (1): As part of the merger, Siemens will make a cash payment of €3.75 per share to Gamesa. Extraordinary dividend to be paid to Gamesa shareholders post merger effectiveness (excluding Siemens) will amount to €3.75 less any ordinary dividends paid between signing of the agreements and completion of the merger to Gamesa's shareholders

[18] Under article 201 of the Spanish Capital Companies Law, if the represented or present capital surpasses 50%, absolut majority will suffice to approve the agreement. However two thirds of the present or represented capital will be required if, in second call, present or represented capital surpasses 25% but does not reach 50%.

[19] Areva eliminated certain non-compete/exclusivity obligations. Gamesa granted Areva call options on Gamesa's stake in Adwen and put options on Areva's stake in Adwen, both exercisable in the three months following the signature of that agreement. Additionally, Areva is entitled to seek alternative offers for its stake within that same period, and is entitled to drag along Gamesa's stake.

Main factors

Activity

During the first half of 2016, Gamesa sold 2,180 MWe, 47% more than in the same period of 2015. This growth was driven mainly by India, Latin America, Europe & RoW, and the US; the principal customer categories were electric utilities (41% of the total) and IPPs (49%).

	H1 2015	H1 2016	Chg.
WTG sold (MWe)	1,481	2,180	47.1%

Geographical breakdown of wind turbine sales (MWe) (%)	H1 2015	H1 2016
USA	15%	14%
APAC	17%	6%
India	26%	30%
Latin America	19%	29%
Europe and RoW	23%	22%
TOTAL	**100%**	**100%**

Activity in the first half of 2016 was concentrated in the Gamesa 2.0 MW segment, which represented 97% of total MW sold, vs. 98% in the same period last year. The Gamesa G114 2.0 MW platform accounted for 51% of activity in the period, compared with 23% in 2015, evidencing the new platforms' growing importance. The Gamesa 5.0 MW platform accounted for 2% of MWe sold in the first half of 2016.

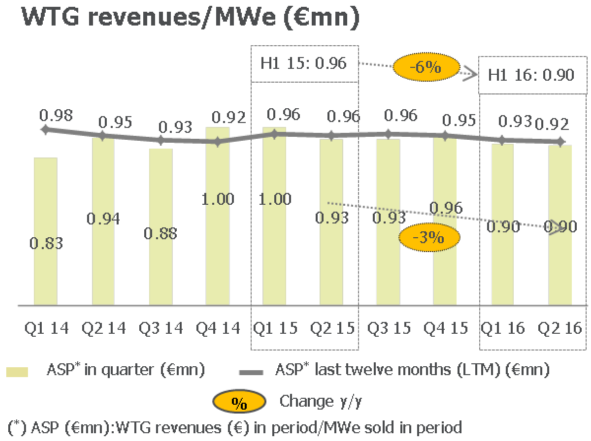
In the services division, Gamesa had 22,436 MW under operation and maintenance, slightly more than at the end of 2015. Growth in the fleet under maintenance came mainly from emerging markets India and Brazil, which offset a decline in mature markets. The average post-warranty fleet under maintenance was stable year-on-year at around 15 GW.

	H1 2015	H1 2016	Chg.
MW under operation and maintenance at end of period	20,622	22,436	8.8%

Profit & Loss

Revenues amounted to €2,192 million in the period, 33% more than in the same period of 2015.

This increase was due mainly to sales in the WTG division, which grew by 38% y/y thanks to a 47% increase in activity volume with respect to the first half of 2015. Strong growth in volume, and sales of new products with larger rotors and higher towers, offset the negative impact of the lower volume of assembly per unit sold (1,182 MW assembled, vs. 2,180 sold in the first half of 2016, compared with 1,490 MW assembled out of 1,481 MWe sold in 2015) and the exchange rate, which reduced wind turbine revenues by nearly 8% y/y in the first half. Assembly activity will recover in the second half of the year, with a positive impact on revenues per MWe sold. It is important to note that the trend in WTG revenues per MWe sold is impacted by many elements, among them, the project scope, rotor size, tower height, activity scope, FX… and therefore it is not indicative of profits or profit trends.



Service revenues were stable year-on-year, in line with the trend of the average post-warranty fleet (15 GW, stable year-on-year). The exchange rate effect took 2.2 points off growth in services revenues.

Group revenues at constant exchange rates for H1 2015 would had amounted to €2,307 million, i.e. 40% more than in the first half of 2015.

In addition to attaining record revenues and commercial activity in the first half, Gamesa's underlying EBIT reached a record €230 million. The EBIT margin was 10.5%, 2.3 points more than in the first half of 2015. EBIT performance is attributable to:

- the volume effect (+2.9 p.p.)
- contribution margin performance (+0.7 p.p.)
- fixed cost performance (-1.1 p.p.),
- currency performance (-0.2 p.p.)

The improvement in the contribution margin in H1 2016 is linked to variable cost optimisation programmes and favourable project scope, offsetting the adverse impact of exchange rates and of higher fixed expenses (including depreciation and amortisation) required to grow and in line with the increase in capex, and the lower contribution by O&M to total revenues (10% in H1 2016, vs. 14% in H1 2015).

Net financial expenses in the period amounted to €15.8 million (stable year-on-year), while exchange losses amounted to €5.2 million, contrasting with exchange gains of €0.9 million in 2015, due to greater currency volatility in the period (particularly the Brazilian real). In this semester, financial expenses include a negative impact of €4.1mn resulting from the valuation of the options given and received regarding Adwen in the context of the merger with Siemens.

The tax expense amounted to €57.6 million, equivalent to a marginal rate of 27%, in line with 2015 and within the guidance range for the year (25%±3%).

As a result, **underlying consolidated net profit before Adwen totalled €151 million (€86 million in H1 2015).**

The **impact of integrating Adwen** by the equity method **amounted to -€13.5 million (no effect on cash flow), and reported net profit after including Adwen amounted to €138 million,** 42% more than reported net profit in H1 2015.

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, reducing working capital by €146 million y/y to €129 million at the end of the first half, and achieving a net cash position of €287 million.** In the last twelve months, working capital has been reduced by €131 million, while net cash flow amounted to €248 million after paying €23 million in dividends out of 2014 earnings.

	H1 2015	H1 2016
Working capital/Revenues	8.5%	3.2%
NFD/EBITDA[20]	-0.1x	-0.5x
ROCE	13.1%	22.3%

Consolidated Income Statement and Balance Sheet — Key Figures

(€ million)	H1 2015	H1 2016	Chg.
Revenues	1,651	2,192	*+32.8%*
Underlying EBITDA pre-Adwen	231	344	*+48.9%*
Underlying EBITDA pre-Adwen/Revenues (%)	14.0%	15.7%	*+1.7pp*
Underlying EBIT pre-Adwen	136	230	*+69.7%*
Underlying EBIT pre-Adwen/Revenues (%)	8.2%	10.5%	*+2.3pp*
EBIT	165	230	*+39.6%*
EBIT/Revenues (%)	10.0%	10.5%	*+0.5pp*
Profit (Loss) pre-Adwen	86	151	*+75.9%*
Profit (Loss)	97	138	*+41.7%*
NFD	-39	-287	*-248*
Working capital	275	129	*-146*
Capex	56	85	*+30*

In the first half of 2016, in line with the modular capex strategy presented in the business plan 2015-17, Gamesa invested €85 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.

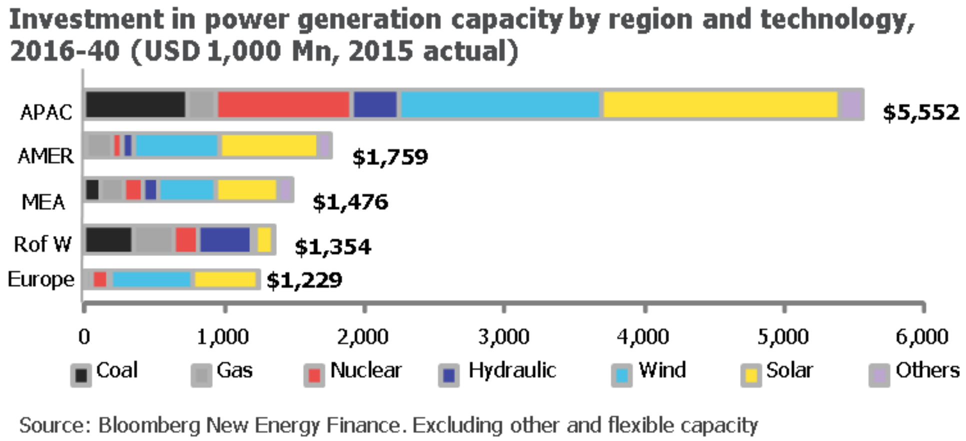
[20] EBITDA LTM

Outlook

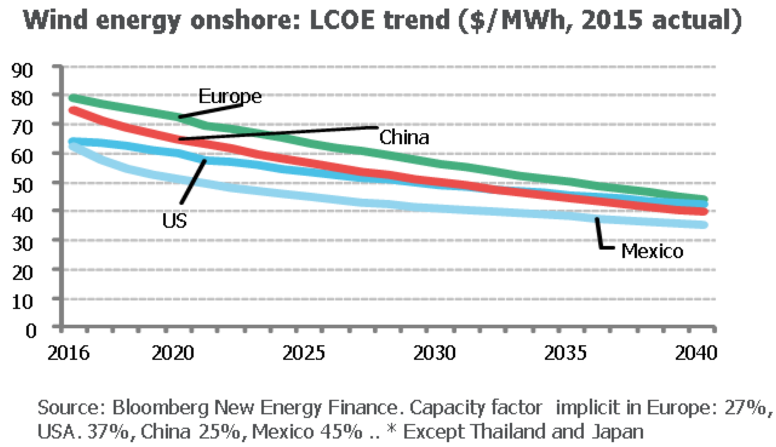
Favourable long-term demand growth prospects leveraged on wind's greater competitiveness[21]

Despite the decline in the price of traditional fossil fuels (coal and gas), the trend of power systems being transformed and decarbonised appears unstoppable. **By 2040, it is estimated that "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 in the lead. Economic growth and electrification in those countries are the main drivers of growth in energy demand and investment in new generating capacity. Meanwhile, the developed economies are expected to experience low growth in electricity demand due to higher energy efficiency and a structural shift in their economies towards the services sector.

Wind and solar will account for 64% of the 8.6 TW of new capacity that will be installed worldwide in the next 25 years and nearly 60% of the $11.4 trillion of projected investment. Between 2016E and 2040E, c. 1,825 GW of wind capacity will be installed, capturing c. $3 trillion of investment.



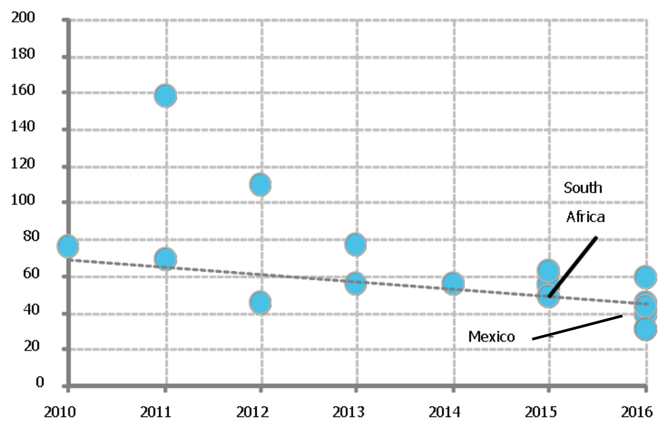
This growth by renewable sources will be supported by energy policies aimed at containing CO2 emissions and assuring energy supplies through reliance on renewable sources, and also by renewables' growing competitiveness. **By 2027, it is estimated that new wind installations, which will be fully competitive in many countries, will be cheaper than coal- or gas-fired facilities in practically all geographies**, particularly if carbon 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.



[21] Bloomberg New Energy Finance New Energy Outlook 2016, June 2016

In this context of greater competitiveness, tariffs for renewables are being transitioned from direct subsidies to competitive auction systems. Although recent auction prices cannot be taken as benchmarks, they are indicative of the growing competitiveness of renewable energies, including wind.

Onshore wind auction prices ($/MWh)

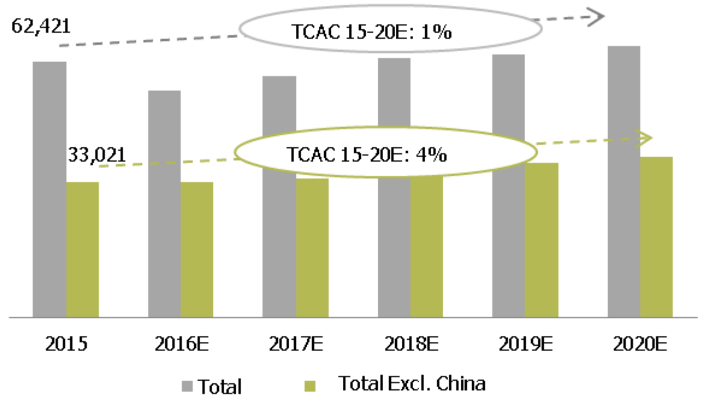


Source: Bloomberg New Energy Finance
Prices agreed under purchase contracts for 20 and 25 years

Positive demand prospects in the short and medium term[22]

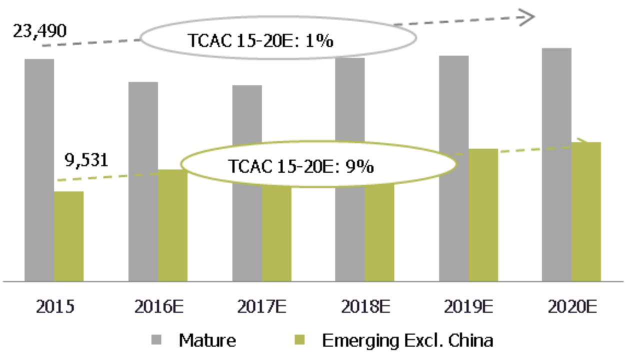
In addition to the favourable long-term outlook for renewable energy, the short- and medium-term prospects are stable with respect to those presented in the first quarter (shown in the following figure). Emerging markets continue to account for the bulk of short- and medium-term growth.

Wind installations 2015-2020E (MW)



[22] Source: MAKE (Q2/2016 Global Wind Power Market Outlook Update)

Wind installations excl. China 2015-2020E (MW)

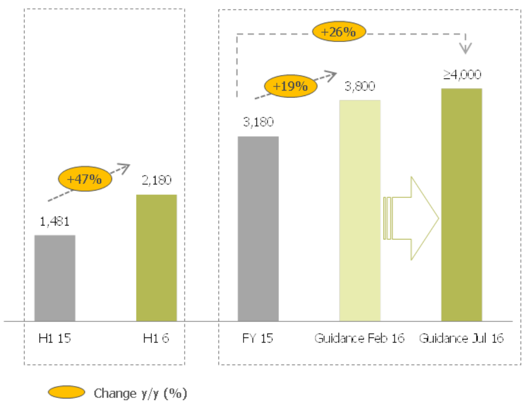


Source: MAKE Q2 2016

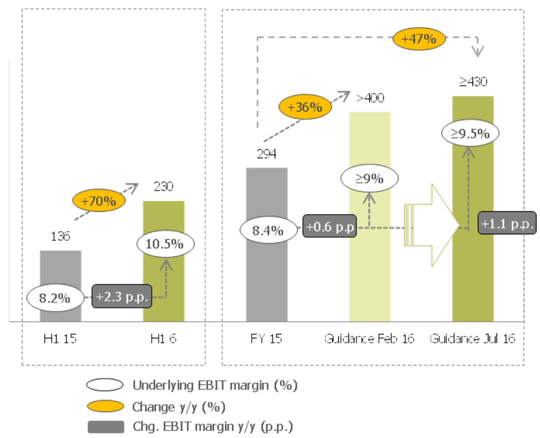
Guidance upgraded with better visibility on the value creation objective.

In this positive demand situation, Gamesa's outperformance in the first half of 2016 in terms of both order intake and profitability supports an upgrade to the 2016 guidance for activity volume ≥ 4,000 MWe and EBIT ≥€430 million (EBIT margin ≥9.5%).

Volume: change y/y in H1 and 2016 guidance (MWe)



Trend in operating profitability in H1 (€mn and %) and guidance (€mn and %)



The guidance was adjusted taking account of the expected seasonal fluctuations in the third quarter in particular and the second half in general, with planned activity lower than the volume achieved in the first half of 2016, a recovery in assembly with a positive impact on ASP, and profitability normalising after the exceptional project mix and scope effect in the first quarter of 2016.

	H1 2016	Var. H1 16 vs H1 15 (%)[1]	Guidance 2016	Min. Var. In2016 guidance vs. FY 15 (%)			Guidance July 2016[2]	Var. Guidance Jul 16 vs. FY 15 (%)		
Volume (MWe)	2,180	+47%	>3,800	+19%	✓✓	↑	≥4,000	+26%	✓✓	**More** profitable growth: activity >26%; operating profitability ≥47%
Underlying EBIT	230	+70%	>400	+36%	✓✓	↑	≥430	+47%	✓✓	
EBIT margin	10.5%	+2.3 p.p	≥9%	+0.6 p.p	✓✓	↑	≥9.5%	+1.1 p.p.	✓✓	
WC / revenues	3.2%	-5.3 p.p	≤2.5%	NA	✓		≤2.5%		✓	**Keeping** capex and working capital under control
Capex (€ mn) (guidance: capex / revenues)	85	30 MM €	4%-5%	NA	✓		4%-5%		✓	
ROCE	22.3%	9.2 p.p	Rising y/y	NA	✓		Rising y/y		✓	**Accelerating** value creation
Dividend proposal: pay-out ratio	25%		≥25%		✓		≥25%		✓	**Offering** attractive remuneration

1. Change in H1 15 vs. underlying pre-Adwen numbers in H1 15. Impact of Adwen on EBIT H1 15: €29mn. No impact on EBIT in H1 16
2. At H1 2016 average exchange rate and assuming no change in consolidation scope

Conclusions

In a situation of stable demand, Gamesa reported strong earnings in the first half of 2016, with record order intake, revenues and profitability. This outperformance in the first half of the year supports an **increase in the guidance for 2016**. **Guidance for activity volume has been upgraded to at least 4,000 MW (5% more than the previous projection), and for EBIT to at least €430 million (c.8% over the previous guidance), with a projected EBIT margin of 9.5% (0.5 points higher).**

The company's sound competitive position, which is focused on growth, enabled it to end the first half of 2016 with a **21% year-on-year increase in order intake, to 2,211 MW in H1 2016**, **and 4,259 MW in the last twelve months,** exceeding the guidance of 4 GW for the year. The **order book at the end of June 2016 stood at 3,228 MW, 13% more than a year earlier.**

Revenues amounted to €2,192 million, i.e. 33% higher than in the first half of 2015, with an underlying EBIT margin of 10.5%[23], i.e. 2.3 percentage points higher than in 2015. In absolute terms, underlying EBIT amounted to €230 million, 70% more than in H1 2015[22], **while net profit excluding Adwen increased 1.8-fold to €151 million[24].**

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 €146 million year-on-year and improved the working capital/revenues ratio by 5 percentage points, to 3.2%. This reduction in working capital, together with greater capacity to generate operating cash flow and capex planning tied to growth, **enabled Gamesa to end the first half of 2016 with a net cash position of €287 million**, **equivalent to an NFD/EBITDA ratio of -0.5x.**

The company is also advancing with its long-term strategy through the agreement to merge with Siemens Wind Power; this transaction will be completed in the next twelve months. With this agreement, Gamesa enhances the visibility and sustainability of its value creation proposal to all its stakeholders for the medium and long term.

[23] Excluding the €29 million impact on EBIT in Q1 2015 (no impact in the remainder of 2015).
[24] Excluding the impact of Adwen on net profit: €11.2 million in H1 2015 and -€13.5 million in H1 2016.

Annex

Financial Statements January-June 2016[25]

Gamesa Corporación Tecnológica - Consolidated

Profit and Loss Account - €'000	**1H 2015**	**H1 2016**
Turnover	1,650,828	2,191,704
+/- Variation in inventories of finished products and WIP	95,912	-23,441
Consumption	-1,210,516	-1,465,618
Other operating revenues	3,121	4,382
Work performed on own assets	26,014	29,873
Personnel expenses	-168,545	-198,175
Other operating expenses	-165,475	-194,283
EBITDA	**231,339**	**344,440**
Depreciation and amortisation	-47,733	-58,981
Provisions	-48,224	-55,434
Gains (losses) on disposal of non-current assets	29,488	214
EBIT	**164,870**	**230,241**[26]
Financial revenues	6,389	12,558
Financial expenses	-22,110	-28,327
Exchange differences (profit/loss)	862	-5,178
Equity-accounted affiliates	-9,668	-12,012[26]
EBT	**140,343**	**197,282**[26]
Taxes	-42,028	-57,554[26]
Income after taxes (continuing operations)	**98,315**	**139,728**[26]
Income for the period from discontinued operations	-1,223	-1,431
Outside shareholders	155	-518
Income attributable to the controlling company	**97,247**	**137,779**[26]

[25] Limited review according to 2410 ISRE. Review of intermediate financial information
[26] EBIT pre-Adwen 230,239, Equity-accounted affiliates pre-Adwen 1,528 and Income attributable to the controlling company pre-Adwen 151,317 (figures in thousand euro)

Balance Sheet - €'000	H1 2015	H1 2016
Goodwill	386,756	388,225
Operational fixed assets, net	442,274	530,827
Non-current financial assets, net	274,840	250,036
Deferred taxes	396,164	409,090
Inventories	772,554	855,964
Customer and other accounts receivable	1,444,028	1,324,276
Receivable from public authorities	173,992	262,774
Current financial assets	27,321	37,454
Cash and cash equivalents	691,425	805,072
Assets held for sale and discontinued operations	33,494	27,384
Total assets	**4,642,849**	**4,891,102**
Capital and reserves	1,482,970	1,592,483
Non-current provisions and deferred revenues	272,365	267,547
Non-current financial debt	457,929	447,338
Other non-current financial liabilities	46,503	79,201[27]
Deferred tax liabilities	81,674	107,301
Current bank loans	178,711	29,795
Trade and other accounts payable	1,951,706	2,114,053
Payable to public authorities	54,829	112,944
Other current liabilities	114,014	139,519
Liabilities associated with assets held for sale	2,149	921
Total liabilities	**4,642,849**	**4,891,102**

[27] It includes other current financial liabilities amounting to €27mn in H1 16 an € 4mn in H1 15

Cash flow statement - €'000	H1 2016
Profit (including discontinued activities)	137,779
+ Depreciation and amortization	58,981
+ Provisions	55,434
- Operating provisions	-43,574
- Non-recurring income	13,538
Gross operating cash flow	**222,158**
- Non-recurring provisions	-15,477
- Variation in working capital	-116,926
- Others	-18,690
Operating cash flow	**71,066**
- Investments	-85,355
Cash flow for the period	**-14,289**
- Variation in treasury stock	-140
- Dividends paid	
Variation in net financing cash flow	**-14,429**
Beginning net financial debt (cash)	-301,194
Ending net financial debt (cash)	-286,765

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