

A photograph of a wind turbine on a calm sea at sunset. The sky is a gradient of orange and pink, and the water is a deep blue. The turbine is white and stands prominently in the lower right of the frame.

# Annual Report 2017

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## Key facts<sup>1</sup>



84.5<sub>GW</sub>  
globally installed



25,000  
employees



11 billion euros  
annual revenue



7.8 billion euros  
market capitalization



8<sub>GW</sub>  
order entry



21.3 billion euros  
order book

1 End of December 2017

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## Portfolio covering all requirements



### Onshore

The technology partner of choice for onshore wind power projects



### Offshore

The most experienced offshore wind company with the most reliable product portfolio in the market



### Service

Helping customers achieve their business objectives by ensuring that turbines work at peak efficiency throughout their life cycle

# United in shaping the renewable energy industry

Our scale, global reach, and proven track record of success ensure that we will play a central role in shaping the energy landscape of tomorrow.

## Content

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02 Activity Report

45 Sustainability

73 Further information

21 Management Report (Summary)

63 Corporate Governance





# Unit

to face the energy challenges of tomorrow



A photograph of a wind turbine on a hill at sunset. The sky is a gradient of orange, pink, and blue. The turbine is white with three blades. The foreground is a dark, rocky hillside. The word 'ed' is overlaid in large white letters.

ed



# Letter from

Rosa María García, Chairwoman

## **Dear Stakeholder,**

Siemens Gamesa Renewable Energy is celebrating its first anniversary. I would like, first of all, to take stock of the goals achieved as a new company. This journey begun with the creation of a new Board of Directors formed by a group of experts, including five independent professionals which guarantees the highest standards of good corporate governance.

Subsequently, the first Siemens Gamesa Renewable Energy Shareholders' Meeting was held in June 2017, which was a relevant step forward to the consolidation of the new company. Following the merger of Siemens Wind Power and the Spanish company Gamesa on 3 April 2017, we have created a world leader in the manufacture of wind turbines, with the best possible management team comprising diverse experienced professionals, with multiple languages and cultures and a global workforce from 90 different countries with a solid corporate culture and great motivation.



*“We have created a world leader in the manufacture of wind turbines”*

We have achieved high levels of customer satisfaction. During the last twelve months we have stubbornly pushed ahead and successfully moved forward with the integration process and learned from the best practices of both companies. But above all, we have taken the appropriate steps to consolidate our position as a benchmark in the global energy market place with a solid three year business plan that was presented at the Capital Market Day.



*“As an agile company we will anticipate the needs of our customers with the highest levels of competitiveness and a solid capacity for creating value”*

But this has not been an easy path. To the usual difficult challenges that need to be faced in the first fiscal year after a merger, we have to manage an extremely competitive market environment. A slowdown of main markets such as India and US and low prices at record levels as a consequence of the global market transition to auction systems have impacted the wind industry worldwide. This is a new framework that we have to get used to from now on. Within this market context, Siemens Gamesa Renewable Energy faced the goal of becoming increasingly more efficient and competitive, what forced us to make important decisions regarding the company's processes, business models and implement stringent cost reduction programs.

After this tough process, Siemens Gamesa Renewable Energy is ready to achieve the global leadership in the Wind Energy Industry due to several reasons. We are in an attractive and dynamic energy sector where wind accounts for most of the investments pickup in demand in key markets. In addition, the merger provides Siemens Gamesa Renewable Energy with a unique foundation to achieve industry leadership based on four strategic pillars: scale, business and geographical diversification, technological leadership and extraordinary synergy and transformation potential. With a best in class offering, deep domain know-how, great business agility, digital capabilities and proven use cases we offer global answers. As an agile company we will anticipate the needs of our customers with the highest levels of competitiveness and a solid capacity for creating value.

Finally, I would like to express my total gratitude to shareholders and employees for the confidence and trust in the project. Even still immersed in a relevant transition process, all of them have shown its reliance with the conviction that we are heading in the right direction, guided by our vision, to set the pace and meet the challenge of covering the growing demand for energy in a safe and reliable way, transitioning towards a sustainable world. To ensure that we keep this mindset, the company has established the goal to keep its presence in FTSE4Good, Dow Jones and Ethibel Sustainability Indexes. We will overcome the challenges by working together, enabling us to create a more efficient and sustainable future, and meet our mission to make real what really matters: clean energy for generations to come.

Yours faithfully,

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a flourish.

Rosa María García  
Chairwoman, Siemens Gamesa Renewable Energy

# Letter from

Markus Tacke, CEO

**Dear Stakeholder,**

As CEO of Siemens Gamesa, I'm proud of what we've achieved during this past fiscal year. It was a year of significant changes, of steps forward and of important decisions being taken and executed quickly.

The merger between Siemens Wind Power and Gamesa has given us important new strengths and created exciting new opportunities. I am confident that we are moving decisively to take advantage of these strengths and opportunities.

Our capacity for global growth has been enhanced. We've taken bold steps to adapt our global footprint and grow our customer base. We've opened a new factory in Morocco, and we've expanded into new markets. Our company has presence across the globe, with 50 sales offices in 39 countries, providing us with access to our customers of today and to the growing markets of tomorrow.

*“We’ve been able to enhance our portfolio, building on our successful track record and proven expertise in Onshore, Offshore and Service”*

We've been able to enhance our portfolio, building on our successful track record and proven expertise in Onshore, Offshore and Service. We've taken steps to ensure our product offering integrates the best of our proven know-how and industry-leading quality. And our customers have expressed a high level of satisfaction with the results.

Our ability to withstand market fluctuations is stronger than ever before; our merger took place at the right time. Our size and scale now position us to compete successfully in today's challenging marketplace. And our capacity for technological innovation is greater than ever before.

We also need to acknowledge that this past year has had its challenges. Some of these we anticipated, others caught us by surprise, for example the sharp downturn in some of our key markets like India. We knew integration would be a complex challenge for our entire organization,



*“We are now in a position to focus on what we do best: developing and delivering products and solutions to customers worldwide to provide clean, reliable and affordable energy”*



and it required difficult decisions to be made, like those regarding restructuring and our product portfolio. The transition the energy market is currently going through has forced us to be decisive and cost-focused in our decision-making.

Through all of these changes, our workforce demonstrated an admirable sense of purpose and confidence. I thank all of our employees worldwide for their commitment to our company.

Our many stakeholders – particularly investors, customers and political decision-makers – have worked closely with us throughout this year and have given us their confidence and trust. I consider it an honor to work with you, and give you my commitment that all of us will work hard to justify the trust you have placed in us.

Much of the ‘heavy lifting’ is behind us, including most of the integration efforts, and we are now in a position to focus on what we do best: developing and delivering products and solutions to customers worldwide to provide clean, reliable and affordable energy.

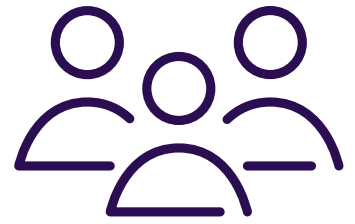
In our plan for the years ahead, we have clearly laid out our strategy for how to succeed in a market environment in transition, and how to become the leader in the global wind power industry. That’s our mission, and I’m proud to embrace it. And I know that our entire organization shares my commitment to these goals.

With best regards,

A handwritten signature in blue ink, reading 'Markus Tacke'.

Markus Tacke  
CEO, Siemens Gamesa Renewable Energy

# United in our commitment to help customers create sustainable value



We are committed to working together with our customers, understanding their concerns, and earning their trust, thereby building enduring partnerships. Our core value proposition is to assist partners across the globe in realizing the lowest possible energy costs: best-in-class Levelized Cost of Energy (LCoE). This provides real and lasting benefits not only to customers but to consumers, enhancing our business and strengthening the entire renewable energy sector.

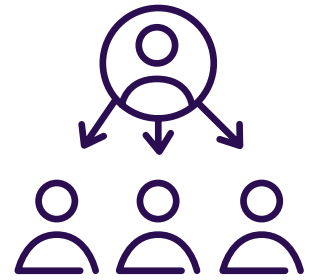
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# United in our mission to develop and harness technology



To make wind power even more affordable and reliable, we constantly look for ways to enhance our products and our service by investing in cutting edge research, exploring the most innovative ideas, using digital intelligence more effectively, and attracting and encouraging the most creative minds – always looking to the future, always asking ‘How can we improve?’ That’s what we’ve been doing for more than three decades: using the power of technology to build our business and to help wind power emerge as an essential part of today’s energy mix.





# United in our determination to earn the confidence of investors and stakeholders

By operating our business in a profitable, professional, and financially disciplined way, we continually work to improve all aspects of our operations, and we act decisively to expand our market share, grow into new markets, and seek new business opportunities in adjacent fields. We operate with clear financial targets and with a determination to grow our top line, enhance our capital efficiency, and strengthen our balance sheet.



# United in embracing our responsibility to people, society and the environment

Throughout our entire organization we are committed to the highest standards of business ethics, corporate responsibility, and transparency. We know that people are the foundation of our success, and we encourage all employees to act as owners. And we are inspired, every day, by our desire to provide the world with clean energy, providing people and communities with a viable alternative to fossil fuels and helping to mitigate the harmful effects of climate change.

# Milestones

2017 was a decisive year for our company.

On April 3, the merger between Siemens Wind Power and Gamesa took effect, and our united company came to life. Since then, we have experienced important progress and reached numerous significant milestones, as our integration efforts successfully fused our two entities together, combining the best of both legacy organizations.

Major Siemens Gamesa achievements of the past year include:

## April

**April 3: Merger, Day 1.**



## May

◀ American Wind Energy Association (AWEA) Conference & Exhibition in the U.S. Our first major opportunity to showcase the united company to a broader industry audience including key customers and stakeholders.

Integration Kick Off, Bilbao. More than 90 experts from the various integration workstreams met in Bilbao for a two-day Integration Kick-Off meeting. All workstreams were staffed with experts from the organization, and teams worked to develop masterplans and align on milestones and action items.

May 9: Markus Tacke, former CEO of Siemens Wind Power, named as CEO of Siemens Gamesa Renewable Energy.

IMO Roadshow begins. The goal of the Integration Management Office (IMO) is to make the merger a success for all and to integrate the regional units into this effort. With this in mind, the Roadshow visited Siemens Gamesa's key operating regions in order to engage them in the integration process, better understand their priorities, and define the next steps with each region's executives. The first stop of the roadshow was Chennai, India, where the company has three offices and more than 500 employees.

New visual identity and new corporate design guidelines finalized, giving the united company a strong and distinctive look. The new identity and guidelines were shared with all employees and locations worldwide, deepening the effort to create the new brand.



## June

IMO Roadshow goes to Latin America. The IMO continued its global effort to engage with regional units in Latin America. Representatives of the IMO and regional executives came together to work on “the main rules and the main objectives of the integration to achieve a fantastic integration success,” as David Mesonero, Corporate Development, Strategy and Integration Managing Director, put it.

Expansión recognizes the merger between Siemens Wind Power and Gamesa as the Corporate Transaction of the Year. The prestigious Spanish business newspaper praised the creation of a global leader in the wind power industry, and the way the complex corporate transaction was carried out.

June 20: First Annual General Meeting as a combined company. The event for the company's shareholders took place in Zamudio, Spain. The event was led by Rosa María García, Chairwoman of the Board of Directors and featured a presentation by CEO Markus Tacke, whose position as CEO was ratified by shareholders. Approval was also given to a change in the company's fiscal year and the official change in the company's name to Siemens Gamesa Renewable Energy.



## July

Markus Tacke speaks to senior business leaders at the Hamburg Globalization Forum in August, emphasizing the company's commitment to global business and free trade. “Globalization,” said Tacke, “is here to stay. While it presents challenges, and occasional setbacks, it is overwhelmingly a force for good. It is not simply a mechanism to increase corporate profits, as some critics argue. It is a positive force for progress, creating real and lasting benefits for people and communities and, in our case, for the environment and the planet.”

Siemens Gamesa and Ørsted sign an agreement for the supply of 94 8 MW turbines (752 MW) for the Borssele 1 and 2 offshore wind power plants being developed in Dutch waters.

Development of a common corporate culture. The People and Culture module of the Integration Management Office, together with senior management, defined the pillars to guide the process of building a Siemens Gamesa Culture:

- Company DNA: “United we will shape the renewables sector and its entire value chain, leveraging our industrial, technological, and innovative capabilities to contribute to a cleaner and more sustainable environment for generations to come.”
- Mission: “We make real what matters – clean energy for generations to come.”
- Vision: “We will be the global leader in the renewable energy industry, driving the transition towards a sustainable world.”

Production begins at new offshore nacelle factory in Cuxhaven, the first Siemens Gamesa offshore wind production site in Germany. The Cuxhaven factory – an investment of 200 million euros – is part of the company's new logistical setup for offshore markets and utilizes two purpose-built transport vessels; instead of loading large turbine components by crane, they are rolled on and off of these vessels.



## July

The team also defined the six values of Siemens Gamesa: valuing people, innovativeness, customer focus, ownership attitude, impactful leadership and result orientation.

# Milestones

## July

Siemens Gamesa Renewable Energy releases its financial results for the third quarter of the 2017 fiscal year. During this period, the company accelerated its integration program and announced that the previous synergy target of 230 million euros was now a 'minimum' and would be surpassed.



Major business successes including the company's debut in Pakistan with an EPC contract for the supply of 50 MW, and major orders in the U.S. totaling more than 780 MW.

## August

August 8: Siemens Gamesa successfully installs Asia's tallest wind turbines in Thailand. The turbines are equipped with 153-meter tall towers, and 56-meter blades, reaching a total height of 210 meters.

## September

- ◀ Siemens Gamesa wins the first order for hybrid wind-solar project in India, connecting a 28.8 MW solar facility to an existing 50 MW wind farm – the first project of its kind for the company.

Siemens Gamesa makes its first joint appearance in Germany after the merger, with its strong presence at the HUSUM Wind 2017 congress.

## September

Siemens Gamesa retains its position in the Dow Jones Sustainability World Index (DJSI World), which tracks the economic, social and environmental performance of leading sustainability-driven companies worldwide. This is the eighth time the company has been selected for this index.

## October

Senior Management Team strengthened with the addition of Miguel Ángel López as CFO, Andreas Nauen as CEO of the company's Offshore business, and Jürgen Bartl as General Counsel and General Secretary. Miguel Ángel López brings significant experience to his role as CFO, with more than 25 years in key financial positions. Andreas Nauen, the newly appointed Head of Offshore business, has an excellent track record spanning more than eleven years in the renewable industry and more than 25 years in power generation. Jürgen Bartl served as Business General Counsel for Siemens Gamesa since the two companies merged.

## October

October 11: Official inauguration of a factory in Tangier, Morocco – the first blade plant in Africa and the Middle East. The 37,500 square meter factory will produce blades for export to Europe, Africa and the Middle East, as well as for local projects. The event was chaired by Morocco's Minister of Industry, Investment, Trade and Digital Economy, Moulay Hafid El Alamy, and Markus Tacke, CEO of Siemens Gamesa. ▶



## November

Wind Europe Conference and Exhibition in Amsterdam. Launch of two “next-generation” products: a new 8-MW offshore turbine with a 167-meter rotor, and the first product of our new onshore geared platform, the SG 4.2-145. The company also used the Wind Europe trade show to announce the decision to streamline its product technologies in accordance with its “One Segment/One Technology” philosophy.

During the opening session of the Wind Europe Conference & Exhibition, Markus Tacke met with Ando Leppiman, Deputy Secretary of State for Energy of Estonia, which holds the EU presidency in the second half of 2017, and Žygimantas Vaičiūnas – Energy Minister of Lithuania, a country that has fulfilled its 2020 obligations from the Renewables Directive ahead of schedule.

Start of a research and development agreement with Fraunhofer-IWES, which began working with Siemens Gamesa to test new offshore products, helping to ensure that customers receive the best technology and the fastest time-to-market.

## November

Awarded 2017 Rotor Blade of the Year by Wind Power Monthly. The Siemens Gamesa B82 rotor blade received the prestigious designation Blade of the Year based on criteria including “radical thinking and innovative technology, the quality of the product’s design and manufacture, its track record, impact on the market, service friendliness and reliability-enhancing aspects.”

## November

Her Majesty Queen Elizabeth II visits Siemens Gamesa’s offshore wind turbine blade manufacturing factory at Alexandra Dock, Hull, UK. Her Majesty was introduced to leading figures from Siemens Gamesa including Global CEO Markus Tacke, UK Managing Director Clark MacFarlane, the CEO of Siemens AG Joe Kaeser, and the CEO of Siemens PLC Juergen Maier. Clark MacFarlane accompanied Her Majesty on a short tour of the factory, taking in a visit to the moulds where the mammoth 75 meter turbine blades are made, and introduced The Queen to employees including apprentices who explained their work. ▶



Siemens Gamesa awarded the Impulsa 2017 Prize at the eighteenth Capcorp, Annual Congress in Madrid on 6 and 7 November. Siemens Gamesa was selected for this prize for its pursuit of M&A-led growth, having closed the largest ever merger in the wind power sector. David Mesonero, Managing Director of Corporate Development, Strategy and Integration at Siemens Gamesa, accepted the award on behalf of the company.

Major offshore order from Vattenfall, which entered into a contract with Siemens Gamesa to supply 950 MW to three offshore projects in Denmark including Kriegers Flak, which will be the largest Offshore wind power plant in the Baltic Sea. ▼

## December

Start of construction of “Future Energy System” (FES) heat-storage project for wind energy in Hamburg, an innovative thermodynamic storage technology being developed to supply energy from hot stones. The project utilizes approximately 1,000 tons of rock fill to provide up to 30 MWh of electric energy at temperatures of 600 degree Celsius. Via a steam turbine, the heat can be re-converted into electricity.

Siemens Gamesa releases its annual results including revenue of 11 billion euros and an EBIT margin of 7 percent in FY17. The company also announces a restructuring plan for a maximum of 6,000 employees located in 24 countries to be implemented in the coming months.

Siemens Gamesa signs MoU with Taiwan International Ports Corporation for offshore wind development.





# Business set-up

One of Siemens Gamesa's strongest competitive advantages is the fact that we are successfully and actively engaged in all three areas of the wind power business: Onshore, Offshore and Service.

No other company can match this level of business diversification.

This balanced and diversified set-up provides numerous advantages. Our businesses are highly complementary allowing us to benefit from synergies, knowledge transfer, and economies of scale. This set-up also enables us to take advantage of growth in all three business areas – and the growth opportunities are strong!

## Offshore

In Offshore, we remain the clear market leader. This is a position we are determined to maintain. We provided turbines for the world's first offshore wind power plant in Vindeby off the coast of Denmark in 1991, and have remained the industry leader, offering the most reliable product portfolio in the market. We are confident that the offshore wind power business will enjoy strong growth in the coming years and we believe that we are perfectly positioned to be a central part of this growth.

More than **11**GW  
installed since 1991







# Service

Our Service business has been highly profitable, and we expect this strong performance to continue. We have more than 55 GW of turbines under operation and maintenance in 55 countries, and hold a position in the top two in the industry. Our unmatched experience with advanced digital capabilities and continuous development of multi-brand expertise, together with our strong focus on growth, innovation, productivity and safety allow us to help customers worldwide to attain their profitability objectives.

55<sup>GW</sup>  
under service and maintenance



# Onshore

Our Onshore business is poised to gain market share. We are currently in the top three in the industry, offering the industry's leading product portfolio. We have an exceptionally strong record of experience and offer customers throughout the world proven technological leadership.

More than  
73<sup>GW</sup>  
installed since 1980

# Organization

## Board of Directors<sup>1</sup>

Chairwoman

**Rosa María García** (Proprietary)

Chief Executive Officer

**Markus Tacke** (Executive)

Members

**Lisa Davis** (Proprietary)

**Mariel von Schumann** (Proprietary)

**Gloria Hernández** (Independent)

**Michael Sen** (Proprietary)

**Dr. Ralf Thomas** (Proprietary)

**Sonsoles Rubio** (Proprietary)

**Swantje Conrad** (Independent)

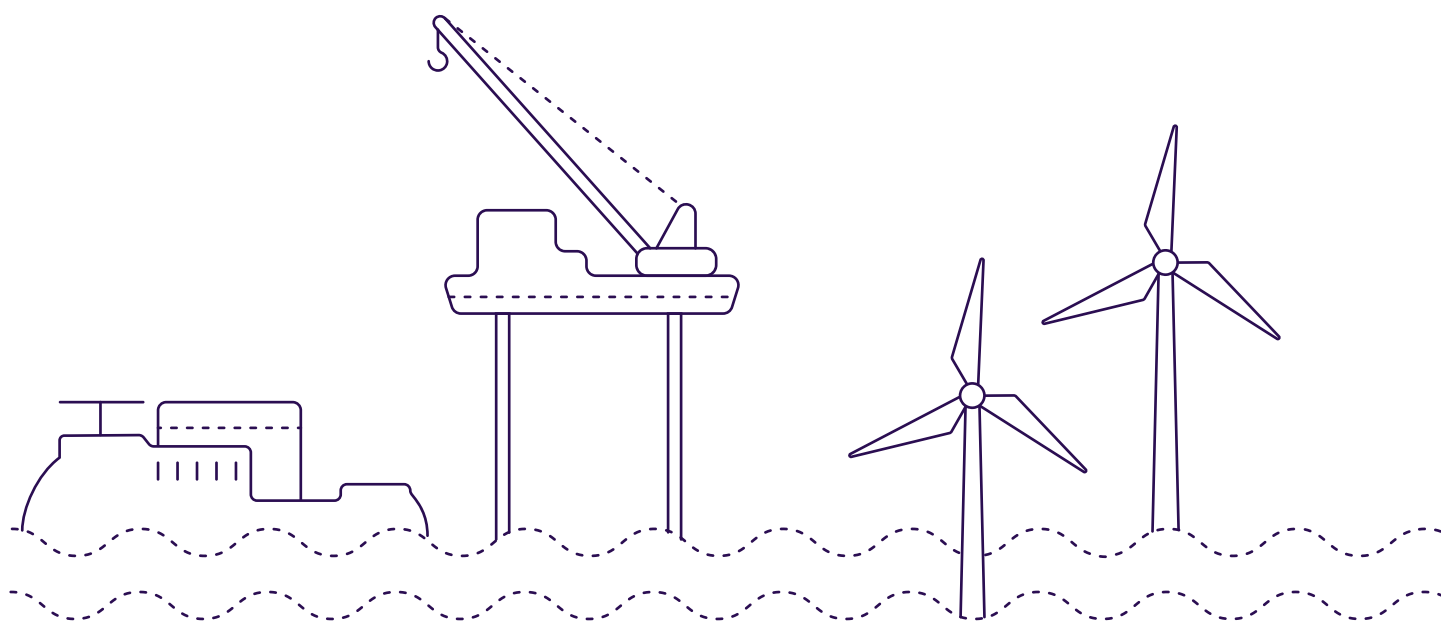
**Klaus Rosenfeld** (Independent)

**Andoni Cendoya** (Independent)

**Alberto Alonso** (Independent)

Secretary and Board Member

**Carlos Rodríguez-Quiroga** (Executive)







From left to right: Andreas Nauen (Offshore CEO), Ricardo Chocarro (Onshore CEO), David Mesonero (Corporate Development, Strategy and Integration Managing Director), Markus Tacke (CEO), Miguel Ángel López (CFO), Mark Albenze (Service CEO) and Jürgen Bartl (General Secretary)

## Management<sup>2</sup>

Chief Executive Officer

**Markus Tacke**

Chief Financial Officer

**Miguel Ángel López**

Onshore CEO

**Ricardo Chocarro**

Offshore CEO

**Andreas Nauen**

Service CEO

**Mark Albenze**

Corporate Development,  
Strategy and Integration  
Managing Director

**David Mesonero**

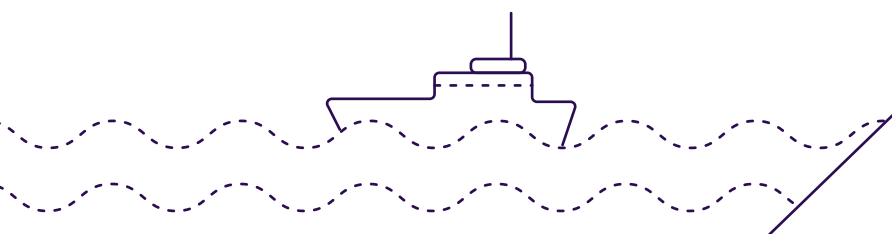
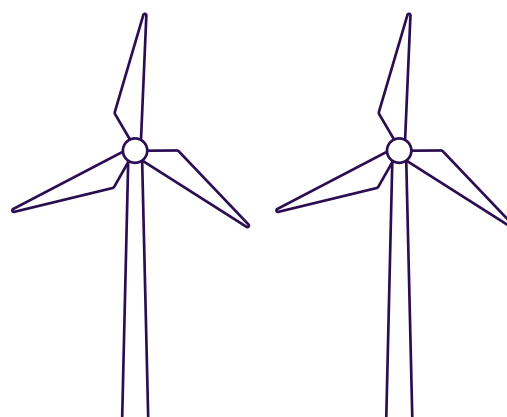
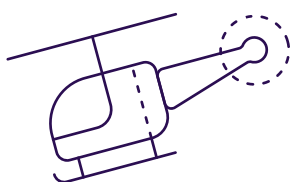
General Secretary

**Jürgen Bartl**

For the current list please see  
our company website.

1 As of December 2017 Organization

2 As of December 2017



# Business plan and outlook

Siemens Gamesa was created in early 2017. During the company's first year we successfully managed numerous complex integration and stabilization measures. With this phase coming to a strong conclusion, the company is now embarking on a strategic business plan designed to secure sustainable profitability in the years ahead.



True global, modern and scalable footprint



Advanced digital capabilities

Our company's goal is global leadership. We are confident that this goal is attainable, and that we have the plan in place to reach it. Our plan builds on our core strengths: scale, business and geographic diversification, technological leadership, and our exceptional post-merger synergy and transformation potential. The plan utilizes three key strategic levers: offering customers best-in-class Levelized Cost of Energy (LCoE), business model agility, and making more effective use of digital intelligence.

Best-in-class LCoE is our core value proposition. We aim to achieve this in three ways. First, through cost-optimized product design and set-up. Second, by furthering our industry-leading technological leadership. And third, through operational excellence, including efficient and optimized operations – while maintaining the highest quality and highest commitment to health and safety.

We are determined to make our products affordable to customers in all markets. Our streamlined portfolio, adapted to correspond to our One Technology/One Segment philosophy, allows us to offer a simplified yet comprehensive product offering, taking full advantage of synergies, best practice sharing, and economies of scale in procurement. We are also intensifying our efforts to rationalize our production footprint and to better respond to changing demand dynamics.

Agility means acting quickly and decisively to benefit from opportunities that arise in today's highly diversified environment. It means being creative in identifying new business openings, and being flexible in responding to changes in today's dynamic marketplace.

Siemens Gamesa has a history of this type of agility, and much of our success is built on these qualities. In the coming years we will be decisive, quick, creative and flexible with our product offering, our footprint, and in exploring and entering adjacent business fields – areas like power storage, solar PV, or off-grid energy solutions.

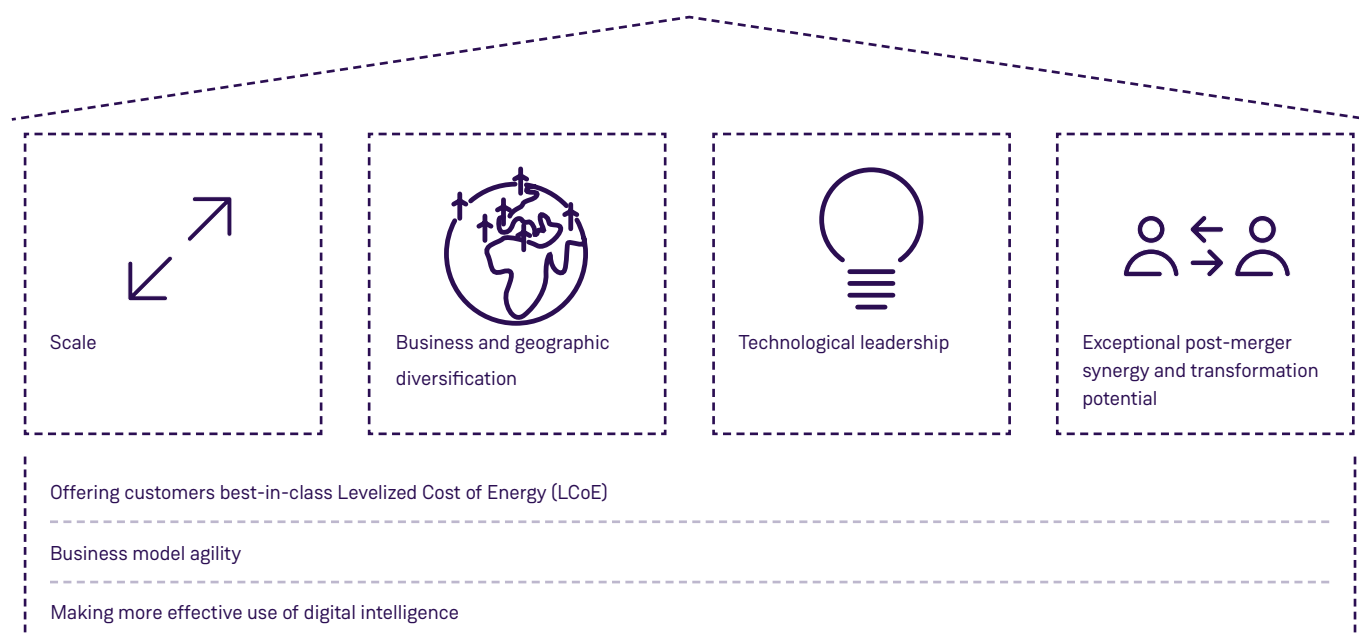
Our third strategic lever: we will use digitalization to become more effective, furthering the digital capabilities of our organization and of our products. Digitalization is transforming our world – and the wind power industry must keep pace with these changes.

Digitalization will transform the way we design and build turbines, as well as their operation and maintenance. Taking advantage of digital technology will result in higher efficiency and in lower costs along the entire value chain. Self-diagnostics and “smart turbines” will generate further cost savings. And real-time park optimization will enhance the value to cost ratio for each customer's unique requirements.

These key strategic levers rest on a solid foundation of people, culture and values.

With this plan in place, we are confident that we are on the right track to global leadership.

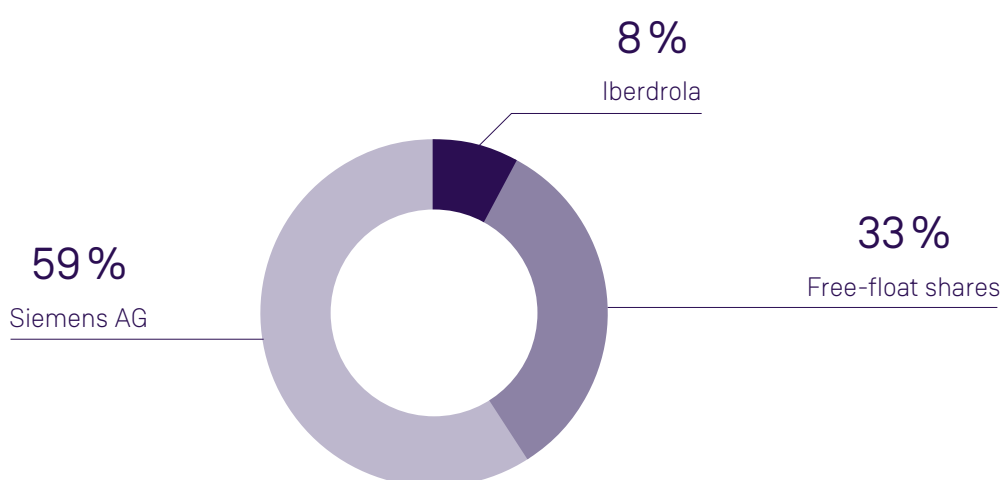
## Global leadership





# Ownership and stock listing information

Siemens Gamesa is a publicly-traded company listed on the Spanish Stock Exchange Ibex 35. The company is traded on the Madrid, Barcelona, Valencia and Bilbao stock exchanges.



2017 was a transitional year for our company, and our share price reflected this fluidity. The share price declined in the months following the merger, as various factors impacted our financial performance. At the end of the 2017 fiscal year, the share price stood at approximately 11 euros. It then began to gain ground during December, reflecting the recovery in order intake and the market's growing confidence in the decisions being taken to improve our performance.

The merger rationale and the company's long term prospects for profitable growth remain intact.



# Management Report

(Summary)<sup>1</sup>

**22 General information**

**23 Company's evolution during the year**

- 27 Markets and orders
- 31 Financial performance

**37 Forecasted evolution**

- 42 Conclusions

**43 Main business risks**

**43 Use of financial instruments**

**43 Subsequent events**

**44 Research and development activities**

**44 Treasury share operations**

<sup>1</sup> This is a condensed version of the Management Report. To view the complete Management Report, please visit our website.



# Siemens Gamesa Renewable Energy Management Report Summary

## General information



For our full  
Management Report,  
please visit  
<http://www.siemensgamesa.com/en/investors-and-shareholders/financial-information/audited-annual-accounts/>

As described in Note 1.D of the Notes to the Consolidated Financial Statements and Note 1.3 to the Stand Alone Financial Statements as of September 30, 2017, the merger of Siemens Wind Power business with Gamesa qualifies for accounting purposes as a reverse acquisition, by which Siemens Wind Power will be considered as accounting acquirer and Gamesa as accounting acquiree. As a result of that, the Consolidated Income Statement of the Group until the merger effective date (April 3, 2017) reflects the transactions of the Siemens Wind Power business only. After the merger effective date the Consolidated Income Statement includes the transactions of Gamesa also, being the half-year from April to September 2017 the first half-year of operation of the Group after the business combination.

The following chapter on 'company's evolution during the year' refers to the performance of the Group as a combined business and therefore focuses mainly on the results after the business combination, that is, the period from April to September 2017. The breakdown of the Consolidated Income Statement of the Group for the year 2017 into quarters is as shown in the table below.

The comparable figures for previous periods (e.g. half year) have been calculated on a proforma basis, as if the merger transaction had already occurred before the period used for comparison purposes, including full consolidation of Adwen, standalone savings and normalization adjustments.

### Consolidated Income Statement

millions of euros	(a) Jan-Mar	(b) Apr-Jun	(c) Jul-Sep	(d) = (b)+(c) Apr-Sep	(a)+(d) FY 2017
Revenue	1,516	2,693	2,329	5,022	6,538
Cost of sales	(1,257)	(2,386)	(2,314)	(4,700)	(5,957)
<b>Gross profit</b>	<b>259</b>	<b>307</b>	<b>15</b>	<b>322</b>	<b>581</b>
Research and development expenses	(51)	(51)	(39)	(90)	(141)
Selling and general administrative expenses	(66)	(192)	(156)	(348)	(414)
Other operating income	4	(2)	2	-	4
Other operating expenses	-	(12)	(18)	(30)	(30)
Income (loss) from investments accounted for using the equity method, net	-	-	-	-	-
Interest income	(1)	7	3	10	9
Interest expenses	-	(15)	(16)	(31)	(31)
Other financial income (expenses), net	-	(3)	2	(1)	(1)
<b>Income from continuing operations before income taxes</b>	<b>145</b>	<b>39</b>	<b>(207)</b>	<b>(168)</b>	<b>(23)</b>
Income tax expenses	(26)	(27)	63	36	10
<b>Income from continuing operations</b>	<b>119</b>	<b>12</b>	<b>(144)</b>	<b>(132)</b>	<b>(13)</b>
Income from discontinued operations, net of income taxes	-	-	-	-	-
<b>Net income</b>	<b>119</b>	<b>12</b>	<b>(144)</b>	<b>(132)</b>	<b>(13)</b>

**Consolidated Income Statement (continued)**

millions of euros	(a) Jan-Mar	(b) Apr-Jun	(c) Jul-Sep	(d) = (b)+(c) Apr-Sep	(a)+(d) FY 2017
<b>Net income</b>	<b>119</b>	<b>12</b>	<b>(144)</b>	<b>(132)</b>	<b>(13)</b>
<b>Attributable to:</b>					
Non-controlling interests	-	-	2	2	2
<b>Shareholders of Siemens Gamesa Renewable Energy, S.A.</b>	<b>119</b>	<b>12</b>	<b>(146)</b>	<b>(135)</b>	<b>(15)</b>
<b>Underlying net profit</b>	<b>120</b>	<b>135<sup>1</sup></b>	<b>(17)<sup>2</sup></b>	<b>118</b>	<b>238</b>
<b>Underlying EBIT Pre-PPA</b>	<b>146</b>	<b>211<sup>1</sup></b>	<b>(18)<sup>2</sup></b>	<b>192</b>	<b>339</b>

1 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of 36 million euros in integration costs and the impact of the Purchase Price Allocation (PPA) amounting to 124 million euros in EBIT and 87 million euros in Net Income in the period April-June 2017.

2 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of integration costs amounting to 67 million euros in EBIT and 51 million euros in Net Income and the impact of the Purchase Price Allocation (PPA) amounting to 111 million euros in EBIT and 78 million euros in Net Income in the period July-September 2017.

## Company's evolution during the year

Siemens Gamesa's first financial results reflect the increase in volatility in some of the Group's main onshore markets

Siemens Gamesa commenced combined operations on April 3, 2017 when the company was registered in the mercantile registry of Bilbao. In its first half-year, the company focused on integrating the separate businesses of Siemens Wind Power and Gamesa in order to bring forward the attainment of the synergies to which the company is committed; the announced amount of such synergies (230 million euros annually) was confirmed as the minimum target.

The group's financial results in the second half of 2017 (the first six-month period in which the merged company was operational) reflect the impact of higher volatility in some of the company's main markets, such as India and the U.S. That volatility is the result of the transition towards fully competitive wind energy models, which has resulted in a decline in onshore sales volume and also in an inventory impairment, with no cash impact, as a result of price pressure in those markets. Consequently, sales in the six-month period declined by 12 percent with respect to the pro-forma<sup>1</sup> sales figure for the same period of the previous year, and the underlying EBIT margin, excluding the impact of the PPA, stood at 3.8 percent<sup>2</sup>, and at 6.5 percent excluding the inventory impairment. Excluding the impact of the hiatus in the Indian market, which was main cause of the decline in sales

1 Historical pro-forma sales are calculated as the sum of the sales reported by Siemens AG for its Wind Power division and those reported by Gamesa in the six months from April to September 2016, plus 100 percent of Adwen's revenues.

2 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of 103 million euros in integration and restructuring costs and the impact of amortization on intangibles' fair value from the Purchase Price Allocation (PPA) amounting to 235 million euros at EBIT level. Overall impact of 252 million euros at net profit level (combining PPA and integration and restructuring costs, net of taxes) in the period April-September 2017. The inventory impairment had an impact amounting to 134 million euros in EBIT and 88 million euros in net profit. For comparison purposes, the pro-forma underlying EBIT in the same period of the previous year is calculated as the sum of Gamesa's underlying EBIT, the EBIT of Siemens AG's Wind Power division, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated).





*In its first six months of operation, Siemens Gamesa focused on integration and stabilization measures.*

volumes, group sales fell by 2.4 percent y/y, mainly due to the currency effect, and the underlying EBIT margin pre-PPA and before the inventory impairment was 7.3 percent. The company ended the period with a net cash position of 377 million euros, after paying out a 3.6 euros per share special dividend in April as part of the merger agreement, and a 0.11 euros per share ordinary dividend out of 2016 earnings.

After experiencing a sharp decrease in the third quarter, commercial activity surged in the fourth quarter, in line with the company's expectations, to attain 3.3 GW in orders, 40 percent more than in the same period of 2016<sup>1</sup>. Onshore order intake amounted to 2.2 GW, the largest quarterly intake since Q1 2015.

#### **Main consolidated figures for April–September 2017:**

- **Revenues:** 5,022 million euros (–12 percent y/y)
- **Underlying EBIT pre-PPA<sup>2</sup>:** 192 million euros (–63 percent y/y)
- **Underlying EBIT pre-PPA excl. inventory impairment:** 326 million euros (–38 percent y/y)
- **Underlying net profit pre-PPA<sup>2</sup>:** 118 million euros
- **Underlying net profit pre-PPA excl. inventory impairment<sup>2</sup>:** 206 million euros
- **Net financial debt (NFD)<sup>3</sup>:** –377 million euros
- **MWe sold:** 3,599 MWe (–26 percent y/y)
- **Firm order intake:** 3,724 MW

In its first six months of operation, Siemens Gamesa focused on rapidly integrating Siemens Wind Power and Gamesa in order to bring forward the attainment of the announced synergies of 230 million euros, which is now considered as the minimum amount. Achieving those synergies is crucial for strengthening the group's competitive position in a changing and increasingly demanding market context.

The integration process confirms the soundness of the strategic rationale behind the merger in this changing environment, where scale and global reach are absolutely essential in order to compete profitably. Siemens Gamesa offers a unique business proposition since it combines:

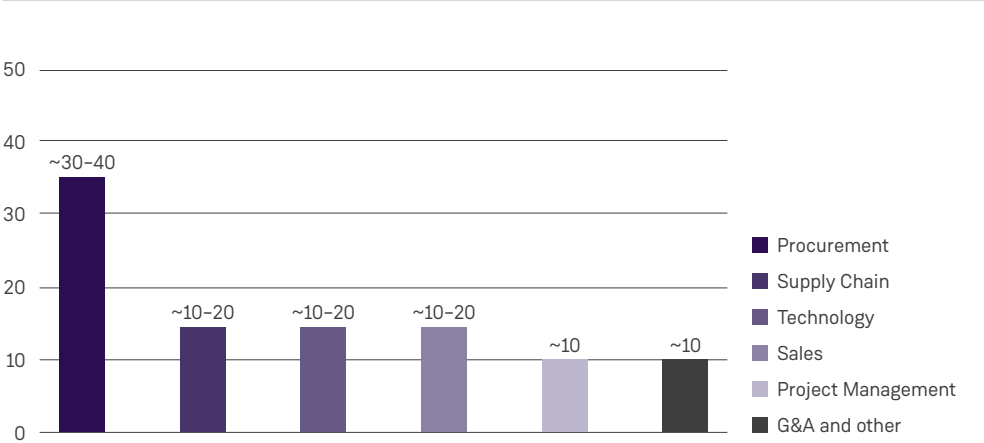
- An Onshore platform positioned to gain market share based on an optimised, comprehensive product pipeline and a global commercial, manufacturing and supply presence. This platform will also be the main beneficiary of the merger synergies, which will enable it to compete more efficiently in the coming years.
- Offshore platform with broader experience than the nearest competitor, having installed almost 70 percent of the world's offshore fleet and logged over 500 million hours of operation.
- A leading Service platform with global reach.
- Access to Siemens AG, including Siemens Financial Services.

1 The order volume used for comparison is the sum of the two companies' order intake in the same period of the previous year.

2 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of 103 million euros in integration and restructuring costs and the impact of amortization on intangibles' fair value from the Purchase Price Allocation (PPA) amounting to 235 million euros at EBIT level. Overall impact of 252 million euros at net profit level (combining PPA and integration and restructuring costs, net of taxes) in the period April–September 2017. The inventory impairment had an impact amounting to 134 million euros in EBIT and 88 million euros in net profit. For comparison purposes, the pro-forma underlying EBIT in the same period of the previous year is calculated as the sum of Gamesa's underlying EBIT, the EBIT of Siemens AG's Wind Power business unit, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated).

3 Net financial debt is defined as long-term plus short-term financial debt less cash and cash equivalents.

Synergy target by function (in %)



Within the first six months and as a result of the integration work, the new organisation was defined and decisions were made regarding product portfolio and manufacturing footprint. Those decisions include notably the integration of Adwen into the group's Offshore division, making it possible to reduce the division's operation losses, better attend to customer needs, and maximise market opportunities. Work also continued in the optimization of the manufacturing footprint, a process that the two companies had been undertaking separately and which makes more sense following the merger. As part of this process, the closure of the Tillsonburg blade plant (Canada) was announced in July,

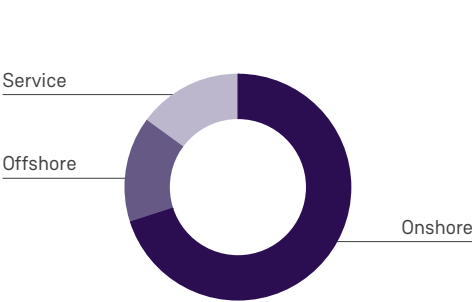
it was decided to reduce capacity at Aalborg (Denmark), and the Tangier (Morocco) plant was opened. The speed with which the integration process is proceeding should make it possible to reap the announced synergies almost one year ahead of schedule.

Detailed analysis of synergies has identified the main sources and beneficiaries in detail: procurement, accounting for 4,000 million euros in expenditure, is the main source, while Onshore is the main contributor, as shown in the charts below. As a result of that analysis, the committed amount of synergies is now seen as the minimum amount that can be attained.



Annual estimated synergy impact  
**≥ 230 million euros**

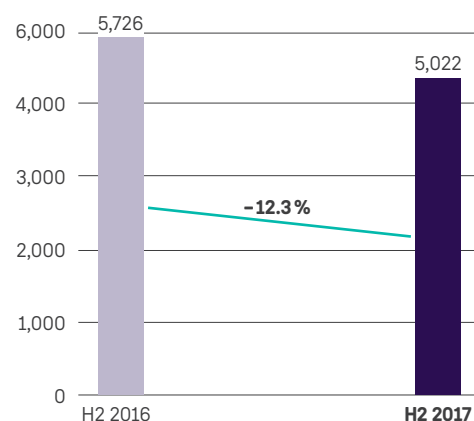
Estimated synergy impact by business unit



Coordination of the integration work by the Integration Management Office has enabled the company to maintain its normal business performance, a performance that has been clearly impacted by very specific market conditions arising from the transition to fully competitive renewable energy models. Included in this situation, the temporary halt in the Indian market, the Group's second-largest onshore market, stands out notably after the introduction of wind auctions in February 2017, and the reduction in onshore installations in the U.K., the Group's third-largest onshore market, after wind was excluded from the contract for differences mechanism in 2016. These changes resulted in a 26 percent reduction in sales volume (MWe) in the second half of 2017 compared with the same period of last year. In addition to the temporary impact on volumes, this transition is also pressuring prices, as a result of which the company booked a 134 million euros inventory impairment.

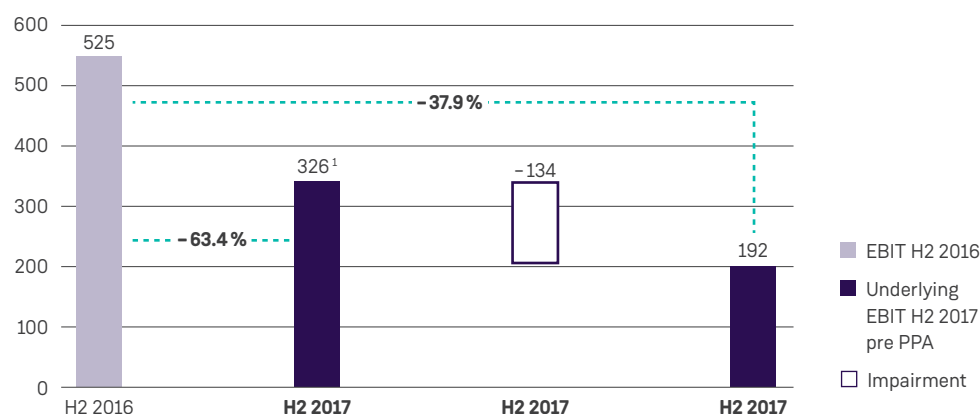
The decline in sales volumes resulted in a 12 percent reduction in sales revenues in the second half with respect to the pro-forma revenues in the same period last year, to 5,022 million euros, with an underlying EBIT margin of 6.5 percent pre-PPA and before the inventory impairment, 2.7 percentage points lower than the underlying pro-forma EBIT margin in the same period last year. Including the inventory impairment, the EBIT margin has been 3.8 percent in the period. Excluding the impact of operations in India in both years and the inventory impairment, sales would have declined by 2.4 percent and the underlying EBIT margin pre-PPA would have been 7.3 percent<sup>1</sup>.

Revenue (millions of euros)



<sup>1</sup> India contributed 626 million euros in revenues and 80 million euros in EBIT in H2 2016 (April-September), and 44 million euros in revenues and -37 million euros in EBIT in H2 2017 (April-September).



**Underlying EBIT pre PPA H2 2016 vs. H2 2017** (millions of euros)

1 pre impairment

Group underlying net profit pre-PPA amounted to 118 million euros in the half-year, equivalent to 0.2 euros per share. Excluding the impact of the inventory impairment, underlying net profit pre-PPA would have been 206 million euros, equivalent to 0.3 euros per share. Reported net income amounted to -135 million euros. Reported profit includes the 88 million euros impact of the inventory impairment and 252 million euros in connection with integration and restructuring expenses and amortization of intangibles' fair value coming from the PPA (net of taxes).

The net cash position on the balance sheet was 377 million euros, due mainly to the seasonal upswing in working capital.

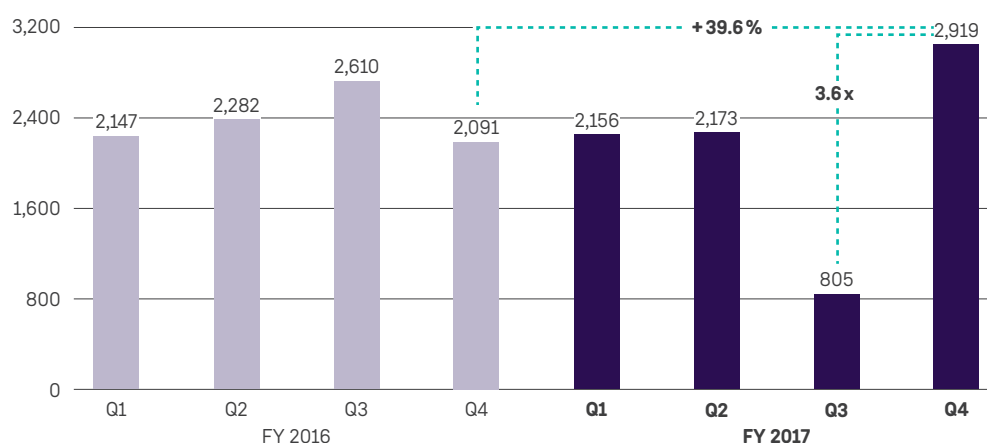
## Markets and orders

Following the slowdown in commercial activity in the quarter from April-June 2017, in which new orders were signed for 805 MW, order intake rebounded strongly in the fourth quarter (July-September), as the company expected. Those expectations were underpinned by the company's stronger competitive position but also by the factors that had produced the weakness in the third quarter, none of which were structural: the expected conversion of the Safe Harbor contracts in the U.S. in the second half of the calendar year, the slippage in orders in EMEA, APAC and the Americas from the first and second quarters of the calendar year, and the volatility that is typical of the Offshore division. Consequently, orders in the fourth quarter totalled 2,919 MW, 40 percent more than the two companies' order intake in the same quarter of the previous year.

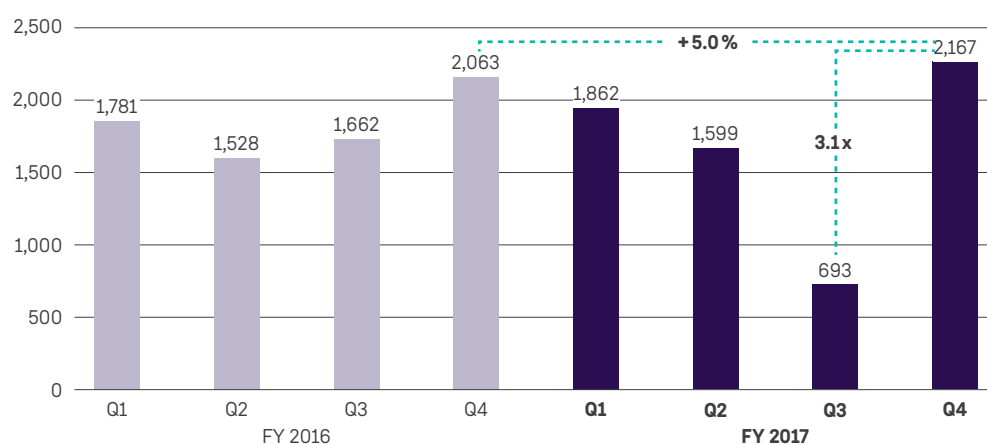
As for Onshore, order intake amounted to 2,167 MW in the fourth quarter, 5 percent more than the intake logged by the two companies in the fourth quarter of 2016 and the largest quarterly order intake since the first quarter of FY 2015 (October–December 2014).

As for Offshore, in the fourth quarter of FY 2016, the contract was signed for Borssele 1 and 2, totalling 752 MW, which had been announced at the earnings presentation for April–June 2017.

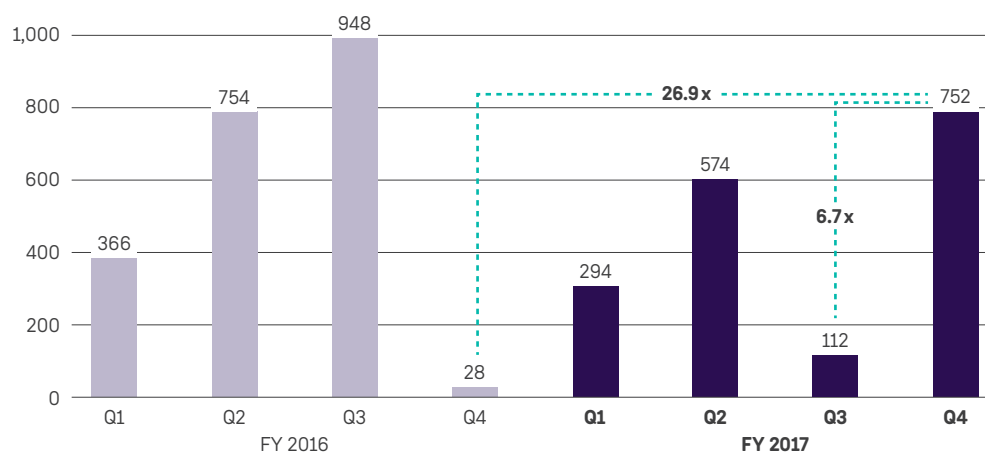
### WTG Order Intake (MW)



### Onshore WTG Order Intake (MW)



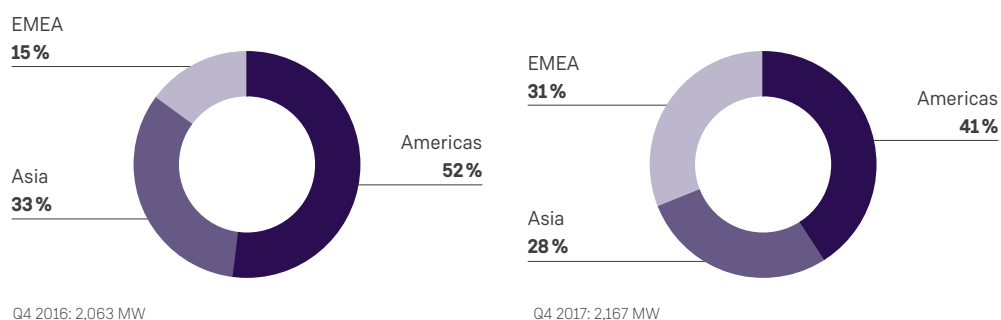
### Offshore WTG Order Intake (MW)



As for Onshore, EMEA was the region that contributed the most to order intake growth, tripling its contribution with respect to the same period of 2016, with Norway in the lead (378 MW signed in the quarter). Along with Norway, the markets that contributed the most to order intake in July–September 2017 were the U.S. and China. In connection with

order intake in the period, it is important to note that Siemens Financial Services is an investing partner in one of the contracts signed in Norway (281 MW), highlighting the importance of the relationship with the Siemens AG group for generating joint value propositions for our customers.

### Onshore Order Intake evolution Q4 2016 vs. Q4 2017 (MW)



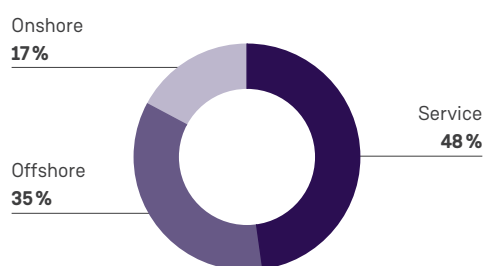


As a result of the recovery by commercial activity in the fourth quarter, the Group order book was slightly higher than in June, containing the y/y decline at 2 percent, contrasting with the 7 percent decline with

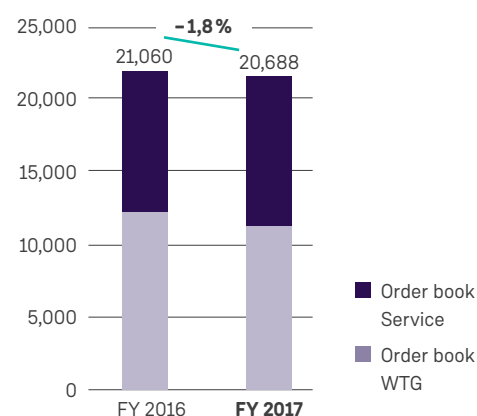
respect to the combined order book in June 2016. The Service backlog increased by 6 percent y/y while the WTG backlog shrank by 8 percent, resulting in a total backlog of 20,688 million euros.

### Order book September 2017

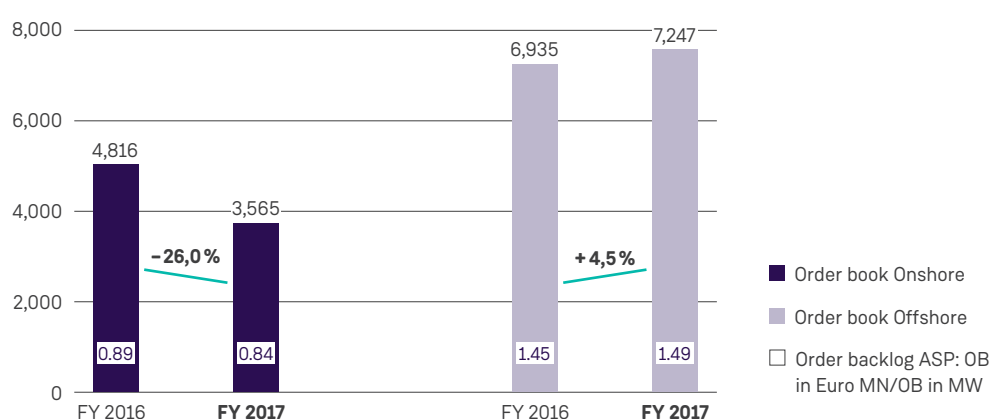
Sept. 2017: 20.7 billion euros



### Order book (millions of euros)



### WTG Order book (millions of euros)



## Financial performance

The table below shows the main financial aggregates for the six-month period from April–September 2016 and 2017. The figures for 2016 are unaudited pro-forma numbers representing the sum of the numbers reported

individually by Gamesa and Siemens Wind Power, plus Adwen (fully consolidated). The comparable EBIT numbers for 2016 include standalone, consolidation scope and normalization adjustments for Siemens Wind Power.

### Profit & Loss

millions of euros	April– Sept. 16 P <sup>2</sup>	April– Sept. 17	Var. y/y %	July– Sept. 17	Var. y/y %
Group sales	5,726	5,022	(12.3)	2,329	(17.6)%
WTG	5,156	4,401	(14.6)%	2,008	(20.8)%
O&M	570	621	9.0%	321	9.9%
Gross profit (Pre PPA)	828	410	(50.5)%	53	(87.0)%
Gross profit margin (Pre PPA)	14.5%	8.2%	(6.3)	2.3%	(12.2)
<b>Reported EBIT</b>	<b>525</b>	<b>(146)</b>	<b>(127.9)%</b>	<b>(197)</b>	<b>(175.9)%</b>
Underlying EBIT <sup>3</sup> (Pre PPA)	525	192	(63.4)%	(19)	(107.2)%
Underlying EBIT margin (Pre PPA)	9.2%	3.8%	(5.3)	(0.8)%	(10.0)
Underlying WTG EBIT margin (Pre PPA)	8.1%	1.9%	(6.2)	(3.9)%	(12.0)
Underlying Service margin (Pre PPA)	19.1%	17.4%	(1.6)	(18.7)%	0.07
<b>Reported Net Income</b>		<b>(135)</b>	<b>NA</b>	<b>(147)</b>	<b>NA</b>
Underlying Net Income pre PPA <sup>3</sup>		118	NA	(17)	NA
Underlying Net Income per share pre PPA <sup>4</sup>		0.17	NA	(0.03)	NA

### Balance sheet<sup>6</sup>

millions of euros	April– Sept. 16 P <sup>2</sup>	April– Sept. 17	Var. y/y %	July– Sept. 17	Var. y/y %
Working capital <sup>5</sup>	621	(300)	(921)	(300)	(921)
Working capital o/sales LTM proforma	5.9%	(2.7)%	(8.7)	(2.7)%	(8.7)
Capex	315	297	(5.9)%	107	(43.5)%
Net financial debt/(cash)		(377)	NA	(377)	NA

1 All financial information and KPIs are non-audited. All historic information is pro-forma.

2 April–Sept. 16 financial data corresponds to non-audited pro-forma data, based on legacy businesses's reported information (Siemens Wind Power, Gamesa and 100 percent of Adwen) including standalone, normalization and scope adjustments for SWP operations, amounting to 58 million euros in the April–Sept. 2016 period. Adwen is fully consolidated in the historic pro-forma data with an impact of 132 million euros at revenue level and of –16 million euros at EBIT level.

3 Underlying data excludes integration and restructuring costs for 103 million euros and the impact on amortization on intangibles' fair value from the PPA amount of 235 million euros at EBIT level. The total impact at net income level (net of taxes) amounts to 252 million euros.

4 Number of shares for EPS calculation: in H2 2017: 676,417,806 and Q4 2017: 679,471,221

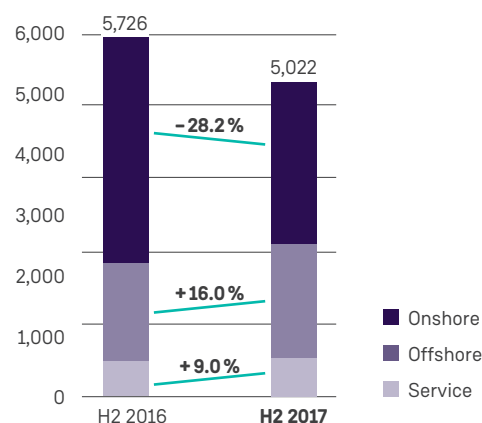
5 See definition of working capital, net financial debt and EBIT in the glossary of terms that can be found in the H2 2017 earnings release together with the reconciliation of both items to the H2 2017 consolidated financial statements.

6 LTM pro forma, non-audited, is calculated adding revenues and EBIT reported by Siemens AG for Siemens Wind Power, those reported by Gamesa and 100 percent of those reported by Adwen. Pro forma profitability includes standalone, normalization and scope adjustments for Siemens Wind Power.

The group's financial performance in the first six-month period in which Siemens Gamesa operated as one company reflects specific market conditions, which affected volumes and prices, resulting in a reduction in the group's sales and margins. A significant part of the reduction in volume was due to the temporary suspension of the Indian market and the reduction in installations in the U.K. During the period April–September 2016 India contributed 819 MWe to the sales volume, and U.K. 449 MWe, representing a 33 percent on the period's sales volume. Group margins were affected not only by the decline in volumes but also by the fact that Adwen's losses increased y/y as well as by the inventory impairment.

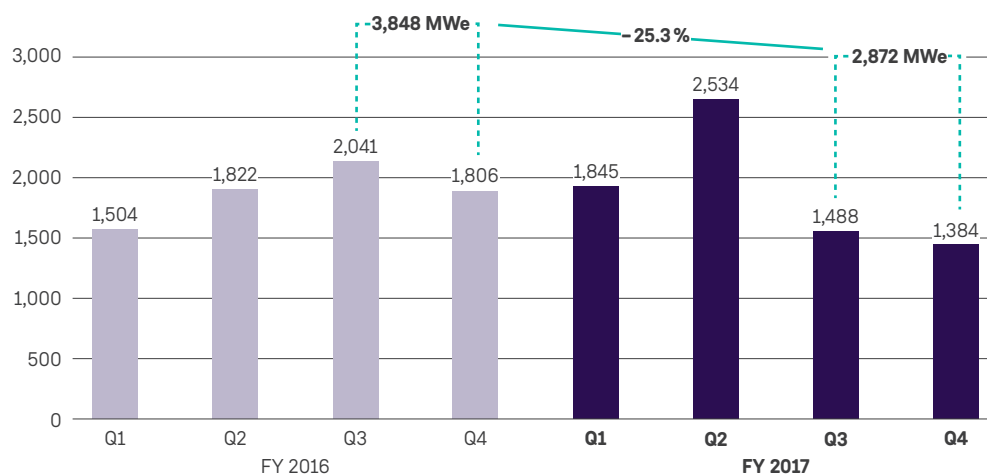
Sales fell by around 12 percent y/y as a result of the reduction in the sale of Onshore wind turbines, in India primarily but also, to a lesser extent, in the U.K. Adjusting for the impact of the halt in the Indian market, sales fell by 2.4 percent due to strong Offshore sales, which registered double-digit growth, and a 9 percent y/y increase in service revenues.

**Sales trend y/y** (millions of euros)



WTG revenues fell 15 percent as a result of a 26 percent y/y decline in volume (MWe); this fall was concentrated in the onshore business, which shrank by 25 percent y/y, due to the reduction in activity mainly in India and the U.K. The ASP increased by 16 percent y/y, positively impacted by the concentration of activity in Offshore installations in the six-month period. The ASP in the Onshore business declined by 4 percent to 0.89 million euro/MW.

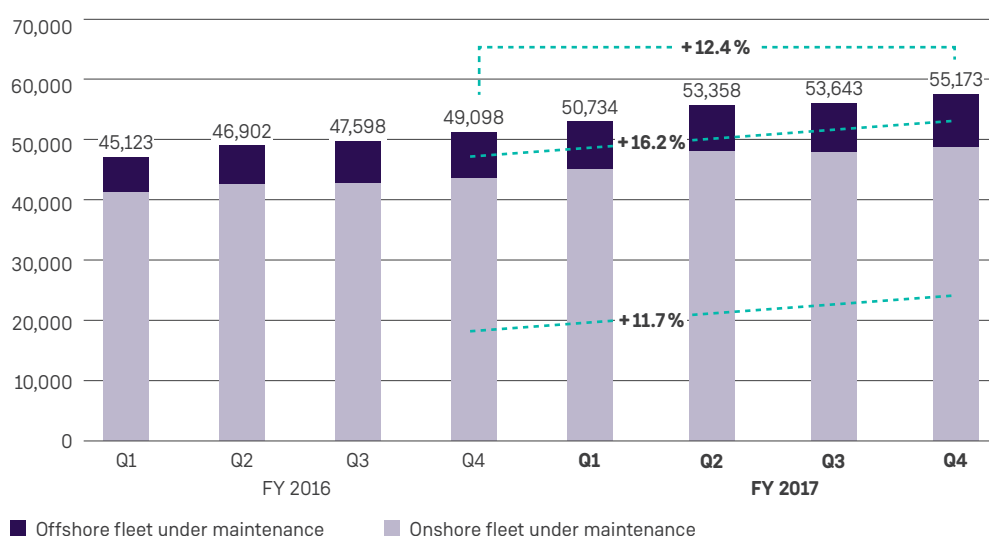
**Onshore WTG sales volume** (MWe)





Service revenue increased by 9 percent, boosted by the fleet under maintenance.

### Fleet under maintenance (GW)



Group underlying EBIT pre-PPA declined by 63 percent y/y as a result of the inventory impairment due to market conditions (134 million euros), the decline in sales volumes (MWe) (26 percent y/y), and the higher losses booked by Adwen. As a result, the underlying EBIT margin pre-PPA was 3.8 percent, 5.3 percentage points lower than the pro-forma underlying EBIT margin in the same period of the previous year: 9.2 percent.

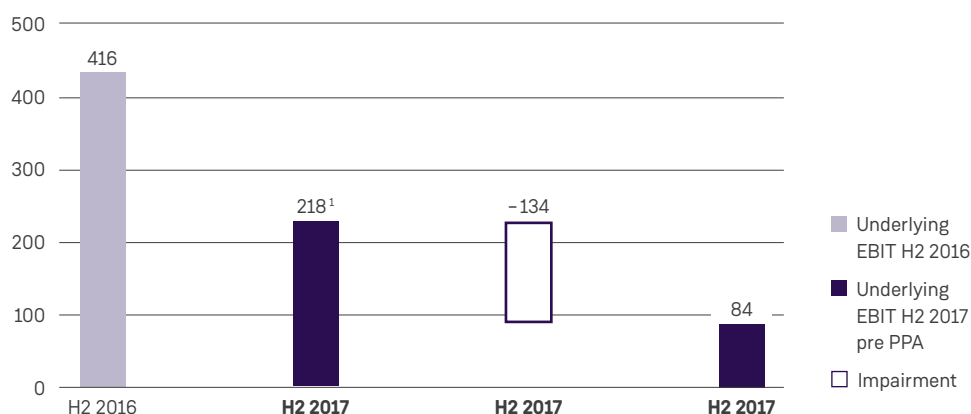
Adjusting for the impact of the inventory impairment, the underlying EBIT margin pre-PPA would have been 6.5 percent, 2.7 percentage points lower than in the same period of 2016.

Following the inventory impairment, the main factors impacting y/y performance of group profitability were the decline in volumes caused by suspension of the Indian market and the increase in operating losses at Adwen

(to 36 million euros in the period, from 16 million euros losses in the same period last year). None of these factors are structural: the Indian market is expected to normalise in 2019, and integrating Adwen into the broader offshore operations will enhance performance and reduce the unit's operating losses in the coming years. The underlying EBIT margin pre-PPA and before the inventory impairment would have been 8.3 percent.<sup>1</sup>

Underlying EBIT pre-PPA in the Wind Turbine segment fell 80 percent and the underlying EBIT margin pre-PPA was 1.9 percent at the end of the period, due to the inventory impairment and the decline in sales volumes. Excluding the inventory impairment, profitability fell 48 percent to a margin of 5 percent, 3 percentage points lower than in the same period of 2016, affected by a 26 percent reduction in sales volumes (MWe).

<sup>1</sup> In the second half of 2017, the impact of India was - 37 million euros and that of Adwen was - 36 million euros. Adwen contributed 199 million euros in revenues in the second half of 2017.

**WTG half year underlying pre PPA EBIT** (millions of euros)

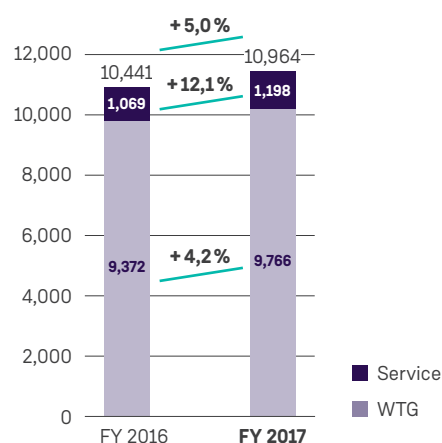
1 pre impairment

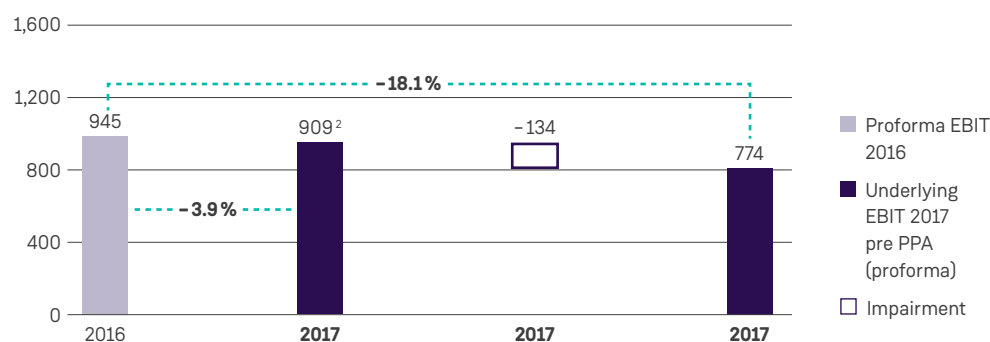
The Service division ended the period with 108 million euros in underlying EBIT pre-PPA, i.e. flat with respect to the same period of the previous year, and equivalent to a margin of 17.4 percent, 1.7 percentage points lower than in the second half of 2016, a period in which a currency hedge provided a gain of 8 million euros. But for that impact, EBIT would have been flat in y/y terms.

During the six-month period, the group incurred 22.4 million euros in financial expenses and in a positive tax effect of 36 million euros (resulting from tax impact on inventory valuation of 46 million euros). The gross impact of amortization of intangibles' fair value coming from the PPA in the period was 235 million euros.

As a result, the group reported underlying net profit pre-PPA of 118 million euros, equivalent to 0.2 euros per share. Including the 252 million euros impact of PPA amortization and integration and restructuring expenses, and the 88 million euros impact of the inventory impairment, the company reported a loss of 135 million euros in the six-month period.

Pro-forma figures for the last twelve months are as follows: revenues amounting to 10,964 million euros (5 percent more than in the twelve months to September 2016) and underlying EBIT pre-PPA amounting to 774 million euros (-18 percent y/y), i.e. an EBIT margin of 7.1 percent (2.0 percentage points lower than in the twelve months to September 2016). Excluding the inventory impairment, which has no cash effect, underlying EBIT pre-PPA amounted to 909 million euros, in line with the guidance announced in July, and equivalent to an EBIT margin of 8.3 percent, 0.8 percentage points lower than in the same period of the previous year.

**Non-audited proforma revenue**  
(millions of euros)

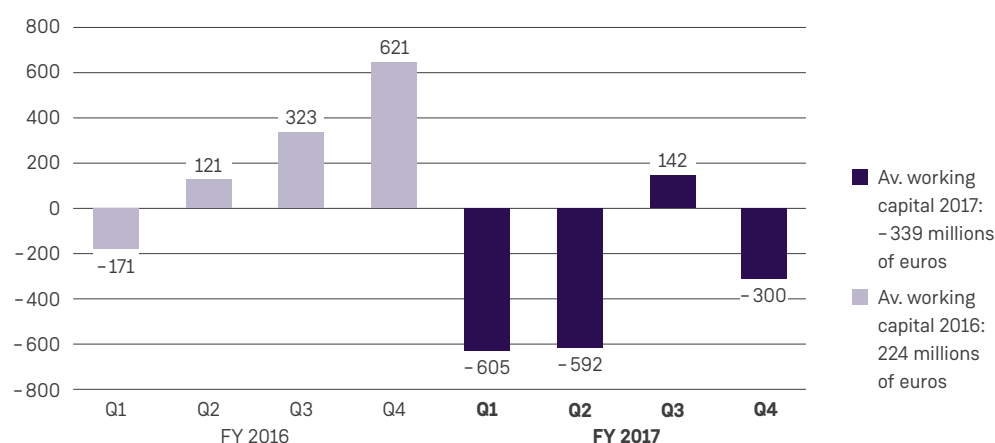
**Non-audited proforma underlying EBIT pre PPA (millions of euros)<sup>1</sup>**

<sup>1</sup> Pro forma EBIT pre PPA figures excluding integration costs and the impact on amortization of intangibles' fair value from the PPA, and including full consolidation of Adwen, standalone savings and normalization adjustments. Underlying EBIT LTM September 2017 excludes 103 million euros in integration, transaction and restructuring costs and 235 million euros in PPA (April–September 2017).

<sup>2</sup> pre impairment

Siemens Gamesa ended the year with – 300 million euros in working capital, equivalent to – 2.7 percent of LTM revenues, i.e. almost 9 percentage points less than in September 2016, and more than 900 million euros lower in absolute terms. Working capital declined as a result of the reduction in

sales, the improvement in commercial activity in the fourth quarter, and the reduction in inventory value as a result of the inventory impairment. The increased commercial activity also explains the sequential improvement in working capital.

**Working capital evolution<sup>1</sup> (millions of euros)**

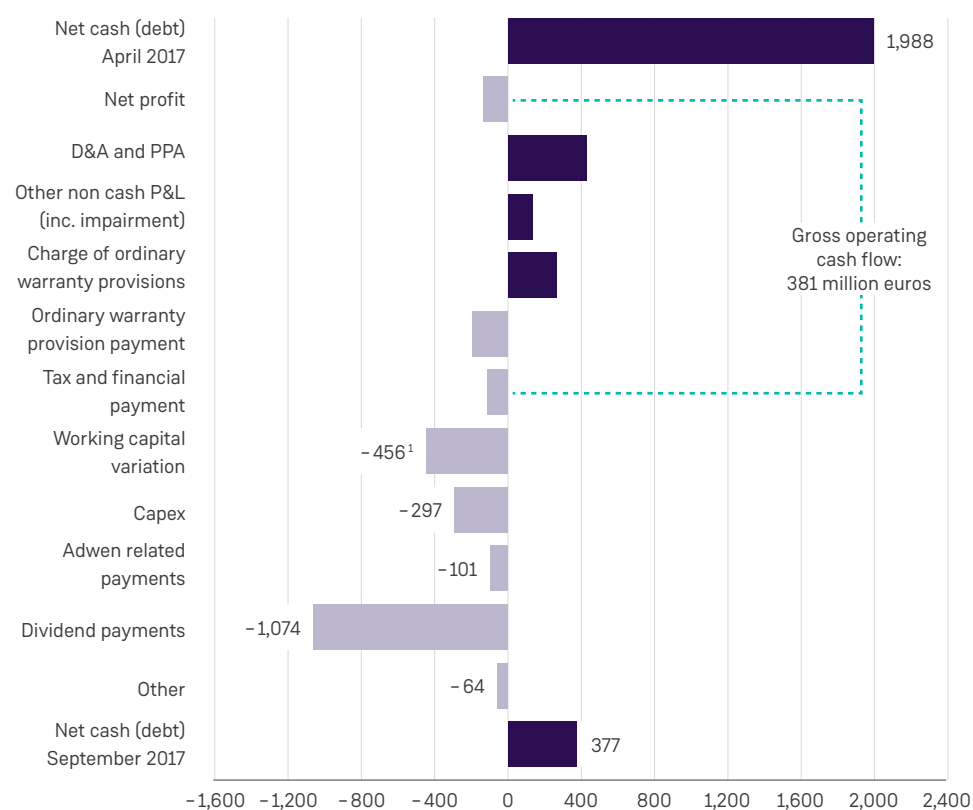
<sup>1</sup> Pro forma working capital as addition of Siemens Wind Power working capital, Gamesa working capital and Adwen working capital for Q1 16 to Q2 17



In the second half of 2017, the company invested 297 million euros in property, plant and equipment and intangible assets, mainly to start up the factories in Cuxhaven (Germany) and Tangier (Morocco).

The net cash position was 377 million euros.

#### Net financial debt (cash) variation (millions of euros)



<sup>1</sup> Working capital variation of -456 million euros excluding the non-cash impact of the inventory write down and exchange rate

## Forecasted evolution

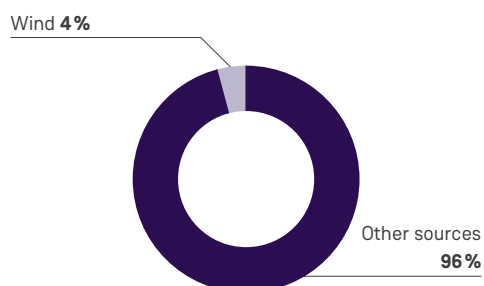
The transition towards fully competitive energy models enhances wind power's long-term potential

The renewable energy industry is in transition towards fully competitive models. This transition is being made possible by the efficiency achieved by renewable energy, particularly wind power, in recent years and that projected for the future. In the transition, all players in the industry are expected to attain efficiencies in addition to those already achieved. In the supply chain, these efficiencies are achieved through improvements in technology and costs, which are passed on to end customers through higher-performance products (in terms of annual energy output), via such factors as larger rotors and higher rated capacities, and lower cost per MW in wind turbines.

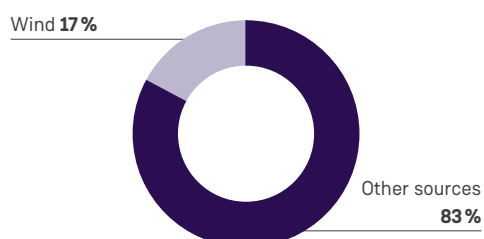
The return being demanded of wind power projects is also declining as the industry matures. In its new Energy Outlook 2017, BNEF expects real returns on capital investment to be around 5 percent by 2030, while funding costs are projected to be around 2.75 percent in real terms. Efforts on the part of the supply chain and operators/investors will lead to a reduction in the cost of wind power of 30–60 percent onshore and 75 percent offshore by 2040<sup>1</sup>.

Achievements to date plus those expected in the coming years greatly enhance wind power's long-term potential. Whereas its contribution to the world energy mix is currently a marginal 4 percent, wind will reach 17 percent by 2040<sup>1</sup>.

**Global energy generation mix 2017**



**Global energy generation mix 2040**



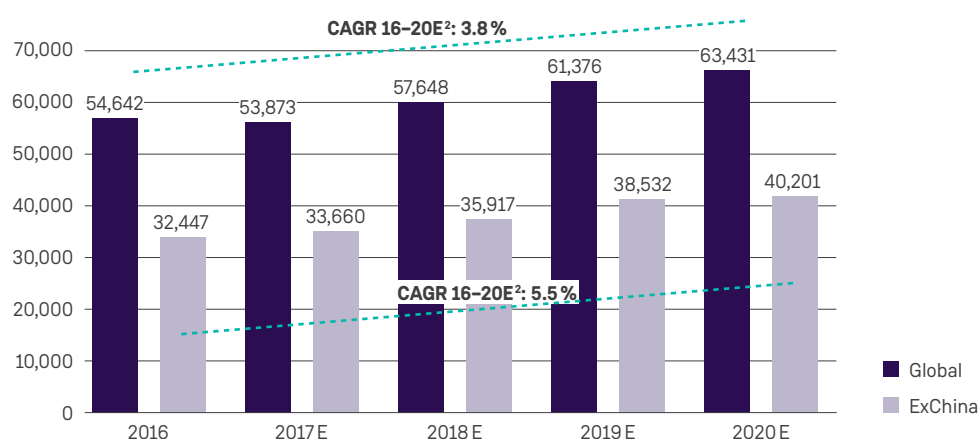
<sup>1</sup> BNEF: New Energy Outlook 2017

To attain that level, it will be necessary to install 1,873 GW onshore and 178 GW offshore in the next 24 years, with the Onshore division becoming the largest single target of investment in the period, about 3 trillion euros, ahead of coal, gas, nuclear and utility-scale solar. It is also important to note that wind demand will shift to emerging countries, mainly Asia, the Middle East and Africa.

#### Wind power demand prospects for the short and medium term are relatively stable

While the industry is moving towards its long-term potential, the prospects of wind demand are relatively stable in the short and medium term, during which there will be temporary disruptions as the model normalises. The halt in the Indian market, expected to normalise in 2019, is one such market disruption.

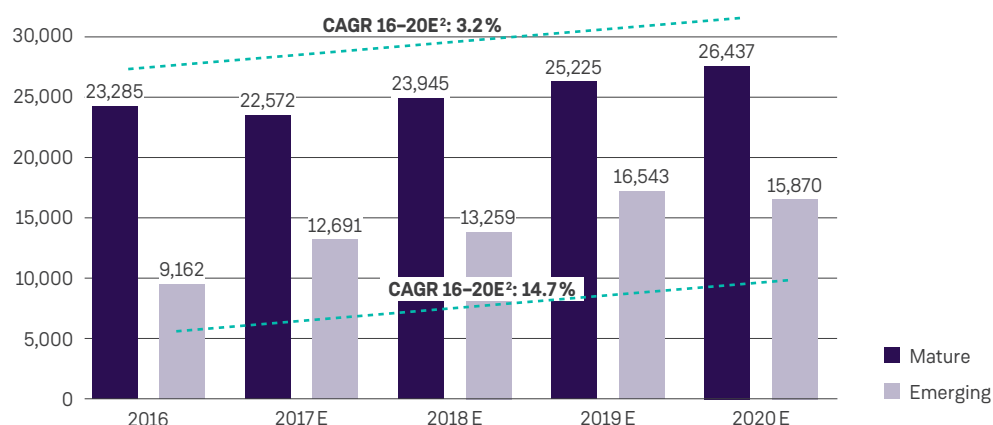
#### Wind installations 2016–2020 E (MW)<sup>1</sup>



<sup>1</sup> Source: BNEF and MAKE Q3 17 Market Outlook

<sup>2</sup> Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of their Q3 17 reports and GWEC figures for 2016 reported on April 17. Growth in mature markets includes growth coming from the offshore activity

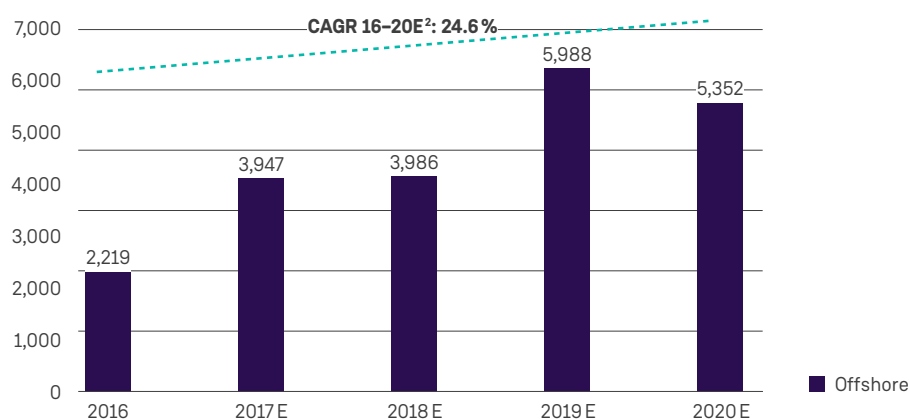
#### Wind installations ex China 2016–2020 E (MW)<sup>1</sup>



<sup>1</sup> Source: BNEF and MAKE Q3 17 Market Outlook

<sup>2</sup> Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of their Q3 17 reports and GWEC figures for 2016 reported on April 17. Growth in mature markets includes growth coming from the offshore activity



**Offshore wind installations 2016–2020 E (MW)<sup>1</sup>**

<sup>1</sup> Source: BNEF and MAKE Q3 17 Market Outlook

<sup>2</sup> Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of their Q3 17 reports and GWEC figures for 2016 reported on April 17. Growth in mature markets includes growth coming from the offshore activity

In this context, Siemens Gamesa is uniquely positioned to benefit from the industry's long-term potential.

The transition to a fully competitive renewable energy model requires players to be more efficient. In this connection, the rationale for the merger still stands: to create a group with the scale, scope and portfolio of products and services required to provide an optimised cost of energy. Another plus is the relationship with the Siemens group, which will make it possible to develop more competitive offers for our customers.

However, the group is not only positioned to benefit from the long-term potential, once the transition to the new model is complete; it is also well placed to surmount the transition while creating the maximum value for all stakeholders. This will be achieved through a diversified, balanced and complementary business model including leading positions in offshore, in onshore markets with above-average growth, and in service. Balance, diversification and leadership increase the group's resilience at a time when the market may suffer disruptions in specific geographies.



The 2018 guidance reflects new pricing levels and a higher demand volatility, all this in the Onshore division, and the achievement of synergies starting in the second half of 2018.

As described earlier, the industry is transitioning towards fully competitive energy models that require all players in the wind industry, including the supply chain, to pursue additional efficiency. These efficiencies will materialise, inter alia, in more competitive wind turbine prices. Moreover, markets will be more volatile during the transition, resulting in temporary disruptions to demand, such as the hiatus in the Indian market. This is all reflected in the guidance for 2018, shown in the next table.

Guidance 2018		
millions of euros	Pro-forma FY 2017	Guidance FY 2018
Revenues	10,964	9,000–9,600
Underlying EBIT margin pre-PPA (1)	7%	7% – 8%
Working capital to sales ration	– 3%	– 3% to + 3%
Capex	621	c. 500

On September 30, 2017, SGRE had fully covered its offshore sales volume guidance, with sales expected to decline slightly after the strong growth registered in 2017, while its onshore average sales volume (MWe) was 58 percent covered. SGRE's guidance includes projected low double-digit price deflation, in line with market trends and with order intake in the fourth quarter of 2017.

The projected range of 7 percent to 8 percent profit margin assumes synergies amounting to around 1.5 percent of revenue, to be achieved in the second half of the year. It is the achievement of those synergies that will separate performance in the second half from the weaker first-half figures.

The impact of the PPA in the year is expected to amount to 321 million euros, while the tax rate is projected to be 30 percent.

All guidance figures are expressed in constant 2017 money.



## Conclusions

Siemens Gamesa came into being ready to address the challenges and seize the opportunities that the wind business offers in the short, medium and long term, so as to create value for all stakeholders. In a changing environment with increasingly demanding wind markets, the merger's strategic rationale is even more compelling. Global scale and reach have become essential in order to compete profitably. Meanwhile, the combined company's diversification and balance and its leading position in emerging and offshore markets provide resilience and above-average growth potential.

After the creation of the company, which was registered on April 3, 2017, Siemens Gamesa concentrated its efforts during the second half of 2017 on accelerating the integration, aware of the importance of acting as a single group in order to achieve the announced synergies. The goal now is to achieve these synergies, which amount to 230 million euros per year, almost one year ahead of the originally announced date; moreover, that figure is now seen as the minimum achievable amount. The onshore business will be the main beneficiary.

In addition to the integration activities driven by the Integration Management Office, Siemens Gamesa continued with its normal business activity, though it was materially affected by temporary volatility in some of the group's core markets, which impacted sales volumes and profitability. In this context, three factors had a significant impact on the half-yearly results: an inventory impairment to adapt to new market conditions, amounting to 134 million euros; the halt in the Indian market (the company's second-largest market); and higher losses booked by Adwen. As a result, revenues fell 12 percent y/y in the quarter to 5,022 million euros and underlying EBIT pre-PPA fell 63 percent to 192 million euros, equivalent to a margin of 3.8 percent, i.e. 5.3 percentage points below the pro-forma margin in the second half of 2016. Whereas commercial activity was weak in the merged company's first quarter (Q3), with 805 MW of firm orders, it recovered strongly in the fourth quarter, to 2,919 MW, 40 percent more than the combined figures of the merged companies in the same period of 2016. Order intake in the Onshore business unit (2,167 MW) was at its highest since the first quarter of 2015, as a result of the materialisation of the trends that were visible in Q3, which impacted order intake in that quarter: conversion of Safe Harbor contracts in the U.S., expected in the second half of the calendar year, volatility of offshore order intake, and the shift of larger onshore orders to the second half of the year. In offshore, where order intake is more volatile, the contract for Borssele 1 and 2 (752 MW) was signed, as had been announced in Q3. As a result of stronger commercial activity, the order book at end-September amounted to 20,688 million euros, broken down as follows: Wind Turbines 10,811 million euros (- 8 percent y/y); and Service 9,877 million euros (+ 6 percent y/y).

After paying a special dividend (3.6 euros per share) and an ordinary dividend (0.11 euros per share) in this six-month period, the company ended the period with a net cash position of 377 million euros and working capital amounting to – 300 million euros, – 2.7 percent of revenues LTM.

## Main business risks

The Siemens Gamesa Group is exposed to certain financial risks that it manages by grouping together risk identification, measurement, concentration limitation and oversight systems. Siemens 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 management.

The risk associated with changes in exchange rates assumed for Siemens 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, Siemens Gamesa has obtained financial hedging instruments from financial institutions.

## Use of financial instruments

The Siemens 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's estimated results, based on estimates of expected transactions in its various areas of activity.

## Subsequent events

There are no significant subsequent events, except for the November 2017 announcement of further capacity adjustment measures to address changing market conditions, with no impact on the accompanying Consolidated Financial Statements.

## 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.

During the reporting period, the main increase under the caption “Internally generated technology” of the Other intangible assets is due to the development of new wind turbine models, software and the optimization of the components’ performance for an amount of 73,647 thousand euros (5,812 thousand euros in 2016) mainly in Denmark and Spain in amounts of 46,570 thousand euros and 19,571 thousands euros, approximately and respectively.

## Treasury share operations

At September 30, 2017 Siemens Gamesa holds a total of 1,707,508 treasury shares, representing 0.25 percent of share capital.

The total cost for these treasury shares amounts 21,505 thousands euros, each with a par value of 12,594 euros.

A more detailed explanation of transactions involving treasury shares is set out in Note 19.E to the Consolidated Financial Statements and Note 13.4 to the Stand Alone Financial Statements of the Notes to the Consolidated Financial Statements at September 30, 2017.

# Sustainability<sup>1</sup>

<b>46</b>	<b>A commitment to sustainability</b>	<b>55</b>	<b>Sustainable supply chain</b>
<b>46</b>	<b>Sustainability and corporate responsibility</b>	55	Supply chain management principles
<b>48</b>	<b>Sustainability programs</b>	56	Integration of sustainability into supply chain management strategy
<b>49</b>	<b>Sustainability collaborations</b>	57	Sustainability requirements for suppliers
49	The United Nations Global Compact	<b>57</b>	<b>Community sustainability</b>
50	Global Reporting Initiative	58	Community action programs
50	Paris Pledge for Action	<b>59</b>	<b>Sustainable environment</b>
50	Caring for Climate	59	Environmental principles in the Code of Conduct
51	Women's Empowerment Principles	59	Environmental principles in the CSR Policy
<b>51</b>	<b>Sustainability recognition</b>	60	Siemens Gamesa Policy
<b>52</b>	<b>Sustainability through stakeholder engagement</b>	60	Climate Change Policy
<b>53</b>	<b>Employee sustainability</b>	60	Greenhouse gas emissions
53	Learning and training	61	Helping our customers reduce their carbon dioxide footprint
53	Labor relations	62	Biodiversity
54	Diversity		
54	Occupational health & safety		
55	Human rights		

<sup>1</sup> This is a condensed version of the Sustainability Report. To view the complete Sustainability Report, please visit our website.



# Sustainability at Siemens Gamesa Renewable Energy

## A commitment to sustainability

Sustainability is at the heart of Siemens Gamesa Renewable Energy. It is the driving philosophy of our company, and we regard it as both a means and an end. We want Siemens Gamesa to be a force for sustainable development in the world, and we want everything we do to reflect that.

There are factors at play in the world today that represent enormous potential threats to sustainability, and can dramatically affect businesses such as ours. Climate change, water scarcity, geopolitical conflicts, resource depletion, economic inequality – these must all be acknowledged as the challenges they are, and then they must be met and overcome.

Siemens Gamesa was created with the belief that sustainable development and commercial success can go hand in hand. In fact, we believe that they must go hand in hand. At SGRE, sustainability excellence is a badge of honor, and a mark of operational and management quality. For us, this means being a company that responds to evolving market trends. It means being a company with engaged, productive and valued employees. And it means being a company that does not just respond to social progress, but aligns with and helps to lead it.

Siemens Gamesa is such a company. We are in the sustainability business. More than 82 GW of the wind power capacity around the world have helped our customers to reduce CO<sub>2</sub> emissions by more than 210 million tons a year, thus contributing to a reduction in greenhouse gases and mitigating their harmful effects. We support the world's climate protection goals, and have joined in the global movement to de-carbonize economies. We have committed to becoming a carbon-neutral company by 2025, and to that end are switching our operations from emission-intensive conventional power generation sources to renewable energy-based electricity source.

## Sustainability and corporate responsibility

Siemens Gamesa wishes to be recognized for its distinctive business model, committed to the creation of value and sustainable development. Our vision for corporate responsibility involves being accountable to a range of stakeholders beyond our immediate shareholders and investors. This is integral to our overall sustainability. Our company feels a strong sense of responsibility in many areas, including environmental protection, the wellbeing of our employees, the broader community, and civil society in general, both now and in the future. We know that the success and sustainability of our business is underpinned by a skilled workforce, a stable community and healthy environment.



from emission-intensive  
conventional power  
generation sources  
to **renewable  
energy-based**  
electricity source

For that reason, the SGRE Board of Directors of Siemens Gamesa is committed to ensuring that all of our activities are carried out in accordance with a set of values, principles, criteria and attitudes aimed at creating and sustaining value for our shareholders, employees and clients, and also for society in general.

To that end, we have made a number of commitments that provide information on everything we do we do, and through which we achieve sustainability at the corporate, business and regional level.

These are:

### Corporate Responsibility: Our Commitments

Integrity	People and Labor Rights
Fulfill prevailing legislation in the countries where the company operates.	Respect the human and labor rights recognized in the legislation of the territories where the company operates.
Adopt company values, principles and ethical and regulatory compliance guidelines set out in the Code of Conduct.	Develop a framework which fosters labor relations based on equal opportunities, non-discrimination and respect for diversity.
Adopt advanced corporate governance practices.	Safeguard a safe and healthy working environment, along with areas of influence.
Reject any practices conducive to obtaining benefit through the use of unethical actions.	
Promote socially responsible actions in any companies in which the company exerts management capacities or holds power through shareholdings.	
Disclose relevant and truthful information on all activities performed.	
Promote channels of communication and dialogue with the different groups connected with the company's activities.	
Encourage transparency and free market rules by respecting free competition, and rejecting any illegal, fraudulent or unethical practices.	
Develop responsible practices in the value chain.	
	Community
	Promote the socioeconomic development of the communities in which the company is present.
	Promote higher levels of well-being through actions of local development cooperation.
	Environmental Protection
	Foster a sustainable use of resources and a culture of respect for the natural environment and contribute to the fight against climate change.



*Seven programs  
with 50 actions*

## Sustainability programs

A significant focus in 2017 was fulfilling the vision and achieving the targets in our Corporate Social Responsibility master plan. This plan, which was adapted and carried over from the Gamesa CSR master plan 2015–2017, set sustainability targets and focused on positioning SGRE for the long term by incorporating stakeholder expectations into the company's decision-making and the day-to-day management of its business. The pillars of this plan include seven programs with 50 actions which are continuously monitored and annually reviewed:

**Program 1:** The development of an integrity model to promote the distribution, knowledge of, and compliance with, the SGRE Code of Conduct, as well as the regulations and “zero tolerance” procedures surrounding the prevention of crimes such as fraud.

**Program 2:** The improvement of transparency through the implementation of tools to consolidate the corporate CSR information. This includes making a systematic track record of non-financial KPIs, and facilitating a report in real time of these data (alignment with best practices IBEX-35 and wind energy sector peers).

**Program 3:** The incorporation of human rights in all of our management processes so that human rights are more integrated in our operations and thereby more fundamental to the SGRE culture.

**Program 4:** The development of fair practices in matters of employment, work conditions, social dialogue, professional development and workplace health and safety.

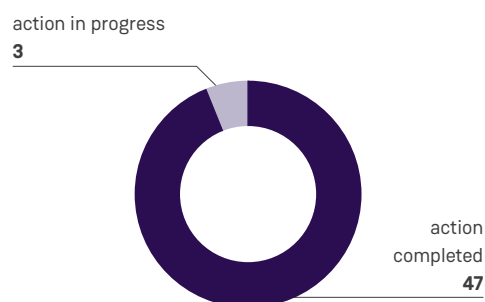
**Program 5:** Responsible supply chain development, incorporating due diligence procedures on matters of ethics and transparency and supervision of suppliers.

**Program 6:** The creation of efficient relationships with local communities, through increasing support for education and culture, job creation and well-being, and developing local capacity to generate income.

**Program 7:** The protection of environmental capital by incorporating best practices for reducing pollution, the sustainable use of natural resources, production and/or restoration of habitats and supporting the fight against climate change.

By the end of 2017, the plan had been completed with a remarkably high level of success. 47 of the 50 identified actions had been completed, with the other three still in progress. The success of this will provide a solid foundation for the next iteration now in development – a Sustainability master plan for the period 2018–2020.

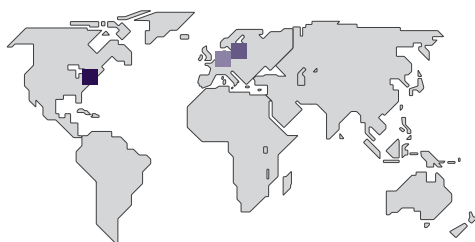
### CSR master plan: status quo



## Sustainability collaborations

As a new company, Siemens Gamesa has been proud to join other members of the global community who share our commitment to sustainability through corporate and social responsibility. To that end, we have joined in a number of worldwide collaborations, lending whatever influence we can to the cause of worldwide sustainability. These collaborations include:

### Worldwide collaborations



- United Nations Global Compact:  
Headquarters New York, U.S.  
Caring for Climate: Headquarters New York  
Women's Empowerment Principles:  
Headquarters New York, U.S
- Global Reporting Initiative:  
Headquarters Amsterdam
- Paris Pledge for Action: Headquarters Paris

## The United Nations Global Compact

The United Nations Global Compact is the world's largest corporate sustainability initiative. It aims to mobilize a global movement of sustainable companies and stakeholders to align strategies and operations around basic commitments to human rights, labour fairness, environmental protection and anti-corruption, and to take actions that advance societal goals. The UN Global Compact establishes ten principles which should underpin a company's value system and approach to doing business.



United Nations Global  
Compact website  
[www.unglobalcompact.org](http://www.unglobalcompact.org)

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights within their area of influence.

**Principle 2:** Businesses should make sure that they are not complicit in human rights abuses.

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

**Principle 4:** Businesses should uphold the elimination of all forms of forced and compulsory labor.

**Principle 5:** Businesses should uphold the effective abolition of child labor.

**Principle 6:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.



**Principle 7:** Businesses should support a precautionary approach to environmental challenges.

**Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility.

**Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

Siemens Gamesa is a proud signatory of this global initiative, and we are strongly committed to the ten principles. We publish an annual Communication on Progress (COP) report, which reviews our compliance with these principles. This document is publicly available on the United Nations Global Compact website.

Siemens Gamesa is a proud member of the GRI community, as we share in the belief that disclosing sustainability information inspires accountability, helps identify and manage risks, and enables organizations to seize new opportunities. We actively participate at GRI's Corporate Leadership Group on Reporting on the Sustainable Development Goals, to formulate innovative solutions to common challenges and ultimately shape the future of reporting.



Paris Pledge for Action  
[www.parispledgeforaction.org](http://www.parispledgeforaction.org)

## Paris Pledge for Action

SGRE has signed the Paris Pledge for Action, affirming our commitment to a safe and stable climate in which global temperature rise is kept under 2 degrees Celsius, and welcoming the adoption of the universal agreement reached at the COP 21 in Paris. We also pledged our support in ensuring that the aspirations established by that agreement will be attained or surpassed.



Global Reporting  
Initiative (GRI)  
[www.globalreporting.org](http://www.globalreporting.org)

## Global Reporting Initiative

The Global Reporting Initiative (GRI) is an independent international organization that has promoted sustainability reporting since 1997. The organization encourages businesses around the world to be transparent about the manner in which they are dealing with critical sustainability issues such as climate change, human rights, governance and social well-being.



Caring for Climate  
[www.unglobalcompact.org/  
engage-locally/manage/  
engagement/caring-  
for-climate](http://www.unglobalcompact.org/engage-locally/manage/engagement/caring-for-climate)

## Caring for Climate

Caring for Climate: The business leadership platform is an initiative of the UN Global Compact, and one we support. 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.

## Women's Empowerment Principles

Women's Empowerment Principles are promoted by UN Women/UN Global Compact. They are built on the belief that empowering women to participate fully in economic life helps build stronger economies, establishes a more stable and just society, furthers sustainability and human rights, and improve the quality of life of not just women but also men, families and communities. Siemens Gamesa shares this belief and has acceded voluntarily to the Women's Empowerment Principles.

The Financial Times Stock Exchange (FTSE) included Siemens Gamesa in its FTSE4Good series, which is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

The Global Challenges index (GCX) included Siemens Gamesa among the 50 securities in the world which are promoting sustainable development through products and services, and actively making substantial, forward-looking contributions to surmounting the following global challenges:

- Combating the causes and consequences of climate change.
- Securing adequate provision of drinking water.
- Stopping deforestation and promoting sustainable forest management.
- Preserving biodiversity.
- Tackling population development.
- Combating poverty.
- Supporting responsible management (governance) structures.

In addition, Siemens Gamesa is included in the Ethibel Excellence Europe, which includes companies that are included in the Russell Global Index and display the best performances in terms of corporate social responsibility (CSR).



Women's Empowerment  
Principles  
[www.weprinciples.org](http://www.weprinciples.org)

## Sustainability recognition

At Siemens Gamesa, we monitor sustainability performance constantly, and take real pride in never allowing it to falter. We take additional pride in having our commitment to sustainability recognized by the world's most renowned and relevant sustainability indexes and ratings.

We are listed in the Dow Jones Sustainability Index, ranked as one of the most sustainable companies in the machinery and electrical equipment industry group. Within that Index, SGRE ranks #12 in the Economic Dimension (73); ranks #3 in the Environmental Dimension (91) and ranks #10 in the Social Dimension (71). Overall, SGRE leads our Industry in three out of 22 categories or criteria.



## Dow Jones Sustainability Index

#12 Economic Dimension  
#3 Environmental  
Dimension  
#10 Social Dimension

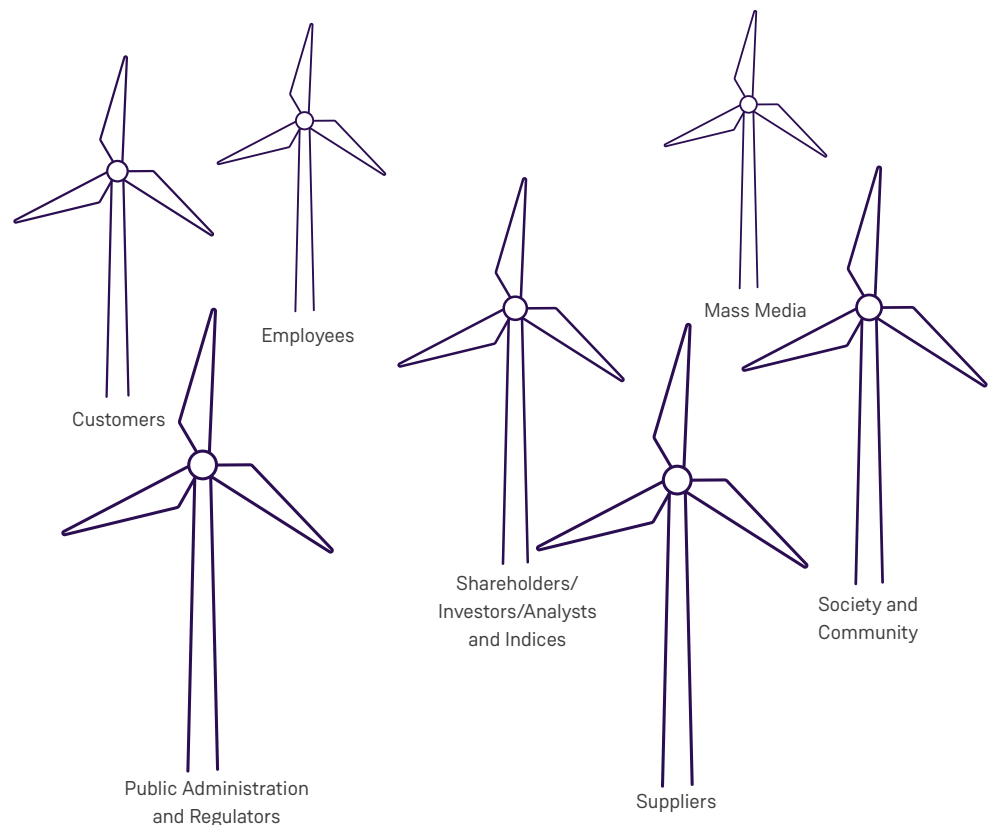
## Sustainability through stakeholder engagement

We are well aware that there are a great many groups around the world affected by, and dependent on, our company's activities. They include our stakeholders, and we are committed to working closely with them to ensure their experiences with SGRE are all positive.

Our engagement and interactions with stakeholder groups have two different motivations. From the standpoint of social responsibility, we are committed to responding to their expectations and whenever possible meeting their needs. From a reputational perspective, we work hard to manage the perception these stakeholders have of our company.

Our company consolidates preferential communication channels with these groups in order to identify the most relevant topics and provide a reasonable response to their expectations, whenever as possible. These channels have their own specific features as regards format, responsibilities, intensity of the relationship and frequency of use, ranging from permanently available means of engagement, like mailboxes and portals, to annual or multiannual means, such as surveys.

### An overarching structure of the company's stakeholders



## Employee sustainability

In many ways, Siemens Gamesa's commitment to sustainability begins with our employees. We believe that if they are succeeding, then our company is succeeding. Social and professional development, therefore, is seen as a core component of our future success. We aim to be an employer of choice by pursuing improvements in people's quality of life, and by empowering and motivating all employees with a high-performance culture, life-long learning and development possibilities.

SGRE's employment model is based on respect for and compliance with universal human rights standards and progressive labor legislation. A good example of this can be found in the work-life balance measures designed and implemented by Siemens Gamesa. Notable among these are flexi-time schemes, continuous/shorter working day arrangements, vacation packages and the provision of end-to-end assistance to personnel posted abroad.

## Learning and training

SGRE offers professional development opportunities in the form of training and job experience, in a multicultural and multinational environment. During this past reporting period, 20,927 employees received training (82 percent of the total) with a cumulative number of training hours of 286,812.

Additionally, Siemens Gamesa has talent management tools that incorporate individual development plans for a number of high potential employees. Such plans are aimed at contributing to personal growth and developing desired competencies and skills. In addition to individual development plans, the company has also other programs for developing talent.

## Labor relations

Siemens Gamesa is firmly committed to pursuing labor relationships that are based on trust, transparency, and good faith negotiations. We believe in, and promote, workers' rights to freedom of association, union membership and collective bargaining. The importance of this fundamental labor right is set out in the company's Code of Conduct.





Close to

**100 different nationalities**

are employed by Siemens Gamesa worldwide

Labor relations between SGRE and our employees are regulated by the legal regulations of each country and such pacts and agreements as may have been reached with workers' representatives. Additionally, agreements that were in place prior to the merger, such as the Global Framework Agreement signed by legacy Gamesa, the IndustriALL Global Union, CCOO de Industria, MCA-UGT and FITAGUGT on social, labor and environmental matters, are currently in force and represent the first global agreement to guarantee labor rights by a company in the renewable energy sector.

### Diversity

Close to 100 different nationalities are employed by Siemens Gamesa worldwide. Ours is a diverse workforce, and we value that deeply. SGRE has a Diversity and Inclusion Policy that applies to all geographic regions where we are present. This policy aims to ensure equality and inclusion, and avoid any kind of discrimination based on race, gender, civil status, ideology, political opinions, nationality, religion or any other personal, physical or social characteristic.

SGRE has a harassment protocol in place that stipulates how to prevent harassment in the workplace. The message is very clear. Any form of sexual, gender-based and/or psychological harassment is absolutely unacceptable. It offends dignity, it is harmful to the working environment and has undesirable effects on people's health, morale, confidence and self-esteem. It has no place anywhere in our company.

With respect to gender diversity in the composition of the Board of Directors, Siemens Gamesa at the end of fiscal year already exceeds our established target of having the presence of at least 30 percent women by 2020. Our company has six women on the Board of Directors, which represents 46 percent of its members. The share of female employees represents an overall 17.92 percent of the total workforce.

### Occupational health & safety

Occupational health & safety is an essential part of our Business Code of Conduct, internal monitoring systems, risk management work and internal controls. It is quite simply embedded in the SGRE culture. Our company complies with prevailing legislation in every market where we have a presence, and we establish as many preventative measures as are needed. Beyond specific market requirements, we are guided at all times by the criteria of excellence and continuous improvement, and we apply an integrated health and safety, environment and quality management policy lens to all that we do. We have a zero tolerance policy towards negligent occupational health and safety conduct.

## Human rights

Siemens Gamesa has made an explicit undertaking, in its Code of Conduct, to defend human rights. We are committed to observing minimum international standards on the protection of the fundamental rights and freedoms of the people affected by our operations. More specifically, we are guided by the United Nations Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to human rights, the guidelines of the OECD, the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy of the International Labor Organization (OIT/ILO) and the Women's Empowerment Principles of the United Nations Development Fund for Women (UNIFEM).

Our Suppliers Code of Conduct sets out rules to ensure that working conditions in the company's supply chain are safe, that workers are treated decently and with respect and that all business transactions are ethically, socially and environmentally responsible. The Corporate Social Responsibility Policy, approved by the Board of Directors, covers respect for human rights, particularly any right the violation of which would degrade employees, and rejects child labor and forced or compulsory labor.

Siemens Gamesa has a Whistleblowing Channel through which our employees can report activities that are unethical, lack integrity or go against the principles contained in the Code of Conduct. Compliance cases reported and confirmed during the reporting period amounted to 28. The number of disciplinary sanctions put in place during the period amounted to six.

## Sustainable supply chain

The merger of Siemens Wind Power and Gamesa created, in effect, two different legacies of excellence. Both of these have been built, in large measure, through a strong, sustainable relationship with our suppliers and contributors. We are building on that history, with sustainability as a key catalyst for the supply chain in Siemens Gamesa. We all feel that clean business is the critical item with regards to sustainability. At all times, our message to suppliers is that they must share with us the common goal of behaving in an ethical, law-abiding manner.

### Supply chain management principles

The principles followed by our supply chain support several key activities that have consistently created positive value with our suppliers and stakeholders:

- Development of the local supply base while contributing to local wealth creation.
- Planning with suppliers to achieve world-class component design in order to reduce costs.
- Creating opportunities for qualified suppliers to export to other regions based on their competitiveness.

All these activities are important contributors to internal activities such as definition of Commodity Strategies, New Product Introduction and Engineering Change Management.

The Supplier Lifecycle Management (SLM) community within Siemens Gamesa is established and engaged, and its work encompasses sustainability topics.

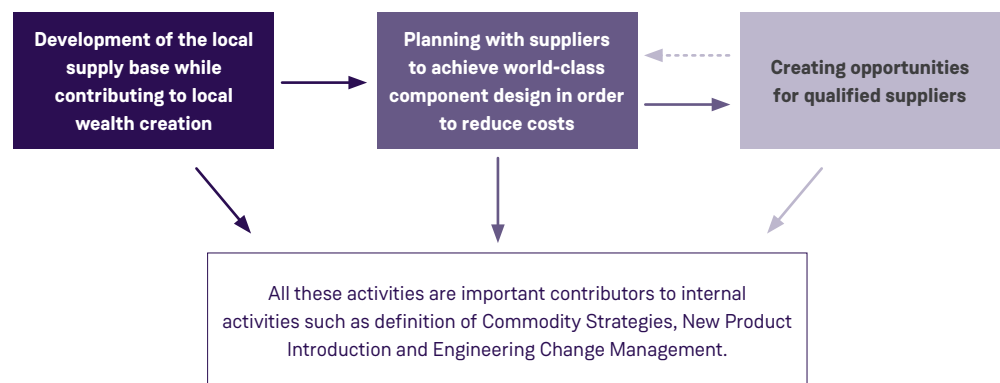


Code of Conduct  
[www.siemensgamesa.com/en/sustainability/commitments/suppliers/suppliers-code-of-conduct.html](http://www.siemensgamesa.com/en/sustainability/commitments/suppliers/suppliers-code-of-conduct.html)

During the process integration period that SGRE is undergoing, the Procurement Integration team is working to define and implement the new joint processes that will support the common vision from both legacy companies. The direction is to keep in place best practices and to use the opportunity to integrate innovations and optimized procedures in the new company, that impact how we select and qualify our suppliers, how we monitor their performance and develop them for top quality.

The Code of Conduct for Suppliers is being harmonized. Both legacies have strong documents that apply to the supplier database. During fiscal year 2018, a new Code of Conduct for SGRE is being developed, respecting and maintaining the same level of strictness regarding requirements for our suppliers.

#### Supply chain: key activities



#### Integration of sustainability into Supply Chain Management strategy

The available processes and tools in SGRE provide strategic buyers with levers, risk indicators and transparency to support making the best sourcing decision. The risk screening is based on financial analysis and commodity reports provided by external consulting companies, which feed indicators in our internal supplier comparison tool.

Sustainability self-assessments are applied to strategic suppliers or suppliers located in high risk countries. The answers provided are then screened, and suppliers who fail to meet the requirements are either immediately blocked from further business with SGRE, or may be conditionally approved if the issues are not critical.

An External Sustainability Audit is executed by different external providers in both legacies, and is the strongest detection module. Monitoring may include re-audits or follow-up audits by our external partners.

## Sustainability requirements for suppliers

Until the full integration process for the two companies has been completed, Siemens Gamesa requires that all suppliers follow either the Code of Conduct for Siemens Suppliers and Third-Party Intermediaries or the Gamesa Code of Conduct for Suppliers (referred to together as the “Codes”). Both legacy Codes are still valid and are considered equivalent. They follow the high standard requirements of the United Nations Global Compact, the principles of the International Labor Organization (ILO), the Universal Declaration of Human Rights, the EICC Code of Conduct and other benchmarks with strong positions on sustainability topics such as legal compliance, prohibition of corruption and bribery, fair operation practices, labor practices, environmental, health and safety protection. The new Siemens Gamesa Code for suppliers will be released during 2018.

## Community sustainability

Siemens Gamesa is deeply anchored in the societies in which we operate. We are there to contribute to their sustainable development. That is our business model. We assume that our organization is part of a social framework that can strengthen our own capacity or, on occasion, condition and limit our development and competitiveness. We fully support this. Commitment to a more prosperous society is not only compatible but interdependent with enduring business success.

At Siemens Gamesa, our commitment to society is genuine and permanent. Wealth creation and improved quality of life in the communities where we operate is a constant goal of our standard commercial activities, supplemented by socioeconomic development through our many non-business channels.

SGRE’s relationship with the community is guided at all times by the following principles:

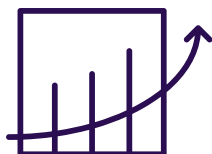
- Awareness of social change. If we understand how the needs of society in general are evolving, we can anticipate future demands in the environment.
- Systematic, fluid and truthful information. This will create a climate of trust and credibility.
- Respect for the environment by complying with prevailing legislation and collaborating in the environment’s conservation and improvement.
- Job creation by leading new competitive business developments.
- Providing support to the development of disadvantaged groups and sectors.
- Supporting research to raise the scientific and technological level of our environment, as well as promoting the use of technologies and other actions which are respectful to the environment.
- Collaborating with other institutions and groups for the community’s improvement and development.
- Establishing relationships with public authorities based on institutional respect and compliance with the law.



## Community action programs

Community Action Programs are aimed at creating wellbeing, increasing local income and driving local technological development. Initiatives to support this strategy include, but are not limited to, the following:

- Local development cooperation programs.
- Educational access and skills development programs.
- Programs aimed at conserving local culture.
- Providing health services.
- Programs aimed at strengthening the community's institutions, groups and local authorities.
- Environmental, social and cultural programs involving local networks and other institutions.



**7 new  
programs**

were implemented in the  
course of 2017

These social initiatives designed to benefit of local communities are carried out directly by Siemens Gamesa or by its subsidiaries or associate companies in their respective areas of action. The following programs were implemented in the course of 2017:

### **Training indigenous women in the region of Gujarat, India**

Training indigenous women in the region of Gujarat, India and empowering them economically through agricultural microcredits. In conjunction with the Juan Bonal Foundation, 100 local women deemed to be in a precarious situation and/or suffering a severe risk of social exclusion are being provided with the knowledge and tools needed to work arable land. The target is to train them so that they can get the most out of their land at different times of year and supply them with the materials that they need.

### **Kindergarten in Motiya, Rajasthan, India**

In conjunction with Bal Vikas India, this is a project to build a kindergarten to care for the village's children while their parents work. The idea is to make it easier for parents to remain employed while their children get their first taste of education as well as being cared for and safe.

### **Soccer League III in India**

Youngsters from India's rural areas are taking part in this new edition of a Siemens Gamesa program implemented in conjunction with Krida Vikas Sanstha Nagpur to hone their sporting skills at a soccer training campus. At the same time, they are being shown how to care for the environment and taught good eating habits.

### **Telecentros Project II in Brazil**

This is being carried out in conjunction with Coordenação Regional das Obras de Promoção Humana (CROPH). It is aimed at fostering technology literacy by opening free centers where teenagers at risk of exclusion can develop their computer skills.

### **Fostering healthy lifestyles in Mexico**

Fostering healthy lifestyles among young people from Unión Hidalgo in the Isthmus of Oaxaca Region of Mexico. In collaboration with CESAL, this project will foster better community health, which has a positive impact on overall quality of life.

### **Mulheres que criam – Camaçari in Brazil**

Fostering the economic sustainability of the Nossa Senhora do Amparo mothers group by sustaining the activities of a printing school, thereby generating jobs and resources for economically vulnerable women.

### Foundation for Research into Ethology and Biodiversity (FIEB)

This is the first gene bank for Iberian birds of prey. In its most recent report, the European Environment Agency warns of ongoing biodiversity loss in Europe. It is calculated that 25 percent of Europe's species are virtually extinct and this percentage is expected to rise. Some 80 percent of Europe's species are present in Spain, making it a crucial focal point. Siemens Gamesa is collaborating on a project backed by the FIEB for the creation of the first national gene bank for Iberian species, a tool designed to help their conservation. Among other benefits, this initiative fosters genetic diversity, enhances efforts to breed in captivity and facilitates access to the genetic make-up of specimens from species with residual populations.

## Sustainable environment

Environmental protection was inherent to the culture of both Siemens Wind Power and Gamesa. It is now absolutely inherent to the culture of our united company. It could hardly be otherwise. Both companies had been role models within the sector in these areas. SGRE was born with the knowledge, expertise and qualified teams to raise environmental protection to a level of excellence, and by combining the best of both companies we are doing just that.

### Environmental principles in the Code of Conduct

Preserving the environment is one of SGRE's guiding principles, as declared in our Code of Conduct. This Code applies globally to all Siemens Gamesa employees, who should be familiar with it and adopt it in their functional areas. Further, all SGRE employees and business partners are expected to act in accordance with the criteria by adopting a pro-environmental mindset, applying environmental best practices and positively contributing to achieving the objectives which have been established and communicated. They should also endeavor to make efficient use of their facilities, equipment and resources while making continuous efforts to minimize the associated environmental impact of these.

### Environmental principles in the CSR Policy

Our global Corporate Social Responsibility policy sets out basic principles that apply to all Siemens Gamesa companies. These include:

#### Environmental principles



Boosting the sustainable use of resources.



Creating a culture of respect for the natural world.



Contributing to the fight against climate change.



Reducing the environmental impact of the activities of the company.



Defending biodiversity.



Promoting information about our environmental sustainability culture.

## Siemens Gamesa Policy

The Siemens Gamesa Policy is a new company policy released in 2017. It encompasses the previous Quality, Environment, Health and Safety Policies from both legacy companies. The Policy, which will be the basis of our success and guide us towards continual improvement, is based on six pillars:

- Leadership commitment
- Compliance assurance
- Risk management
- Stakeholder engagement
- Product stewardship
- Operational excellence

The following, taken from the Policy, clearly articulates our core philosophy:

*“United we will shape the renewables sector and its entire value chain, leveraging our industrial, technological and innovative capabilities to contribute to a cleaner and more sustainable environment for generations to come.”*

## Climate Change Policy

Siemens Gamesa is aware that climate change is a fundamental threat the markets and sustainable development face. It has therefore adopted a Climate Change Policy which applies company-wide and seeks to foster the renewable energies which are deemed suitable and within its reach to attain a global low-carbon energy generation model that reduces environmental impact. SGRE is committed to fostering the sustainable use of resources, a culture of respect for the natural environment and to leading the fight against climate change by reducing the environmental impact of our company's activities, defending biodiversity and encouraging information and training on our sustainable culture. Our company has made undertakings to several business initiatives aimed at reducing greenhouse gas emissions, such as the American Business Act on Climate Pledge or the Paris Pledge for Action.

## Greenhouse gas emissions

Siemens Gamesa has taken up the challenge of reaching carbon neutrality by 2025. This is one of the most ambitious climate targets any organization can set. The global roadmap for meeting this commitment includes a combination of adaptation and mitigation actions such as:

- Energy efficiency measures to reduce logistics area emissions.
- Measures to purchase clean electric power for plants and offices.
- Adaptation measures, such as fostering the use of electric vehicles, mobility plans which are more respectful to the environment and projects to achieve the complete recycling of wind turbine materials at the end of their life cycle.
- CO<sub>2</sub> emission offsetting measures, which will take the form of an exchange of emission rights depending on different scenarios.

### Helping our customers reduce their carbon dioxide footprint

Siemens Gamesa is quite literally in the business of reducing greenhouse gas emissions and furthering climate and environmental protection. In 2017 alone, the new wind power capacity installed by Siemens Gamesa (6,446 MW) resulted in CO<sub>2</sub> reductions of 16.7 million metric tons when compared to conventional fossil-based energy production sources. With the total of our wind turbines installed at customer locations since 1998, which remain in use today according to a minimum life expectancy of 20 years, we reduced accumulated annual customer carbon dioxide emissions by 210 million metric tons by the end of 2017.

## Biodiversity

Siemens Gamesa products and services require certain natural resources, such as water, fossil fuels and wind, to perform their activities, thereby interacting with, and potentially affecting, ecosystems, landscapes and species.

Some impacts to biodiversity can include, for example:

- Potential land use changes by using vehicles and machinery to open up paths and remove vegetation.
- Prolonged human presence which temporarily affects the behavior of species of fauna in a generally reversible way.
- Potential species mortality due to collisions with our customers' wind turbines.

We are very aware of these potential impacts on biodiversity, and are committed to doing everything we can to mitigating them. Siemens Gamesa wind projects are constructed in a sustainable way that allows for a balanced coexistence, thus conserving and protecting natural biodiversity and climate. This respect for biodiversity and ecosystems plays a leading role in our company's business strategy.

SGRE uses several regulatory and voluntary instruments to achieve a positive net balance in relation to biodiversity and the environment, including:

- company policies and procedures under the integrated management system.
- Full compliance with permits granted by environmental and conservation authorities at each region, which set out requirements to ensure the local environment's protection.
- Setting environmental and control plans and implementing management systems, the majority of which have been certified according to the ISO 14001 standard to prevent and control environmental risks.
- Fulfilling legislation on conducting environmental impact studies, which include analysis and prevention mechanisms that take into account different alternatives and lay down corrective measures to avoid, mitigate or offset any possible damage.



# Corporate Governance<sup>1</sup>

## **64 Board of Directors**

- 65 Committees
- 65 Gender representation
- 65 Selection and appointment procedures
- 66 Re-election
- 66 Assessment
- 66 Removal
- 67 Conflicts of interest

## **67 Remuneration policy**

## **68 Risk control and management**

- 68 Risk management process
- 69 Reponse plans

## **70 Business ethics and transparency**

- 71 Code of Conduct

<sup>1</sup> This is a condensed version of the Corporate Governance Report. To view the complete Corporate Governance Report, please visit our website.

# Corporate Governance at Siemens Gamesa Renewable Energy

Siemens Gamesa Renewable Energy was born in April of 2017, when the merger of Siemens Wind Power and Gamesa became effective. The business rationale for the merger was extremely sound, and the months following the merger were used to solidify the united company's strengths. Much of 2017 was used to find our feet as a new company, albeit one with an extremely solid foundation. Siemens Gamesa established a strong corporate governance strategy, one informed by a commitment to transparency and managerial excellence, rooted in ethical business practices, and designed to safeguard the interests of our stakeholders.



More information:  
<http://www.siemens-gamesa.com/en/investors-and-shareholders/>

Transparency and public accessibility are the starting points in our governance philosophy. The SGRE website – <http://www.siemens-gamesa.com/en/investors-and-shareholders/> – contains all of the content that we are required by law to publish, as well as a great deal of other information that might be of interest, particularly to shareholders and investors.

That content includes the annual corporate governance report, the annual report on remunerations and other informative instruments of the listed companies.

## Board of Directors

The Board of Directors (Board) is our company's top decision-making body in all matters except those that require a shareholder vote in a Shareholders' Meeting. Our Board is responsible for general supervision of the company, and specifically for setting SGRE's strategies and policies. The ultimate goal, always, is to generate value for our shareholders and other stakeholders, while acting as the good and ethical corporate citizen we are determined to be.

## Committees

The Board is supported by expert committees such as the Audit, Compliance and Related Party Transactions Committee and the Appointments and Remunerations Committee.

### Audit, Compliance and Related Party Transactions Committee

The duties of the Audit, Compliance and Related Party Transactions Committee include oversight of the company's internal audit, reviewing the internal control systems for drawing up economic and financial information, and auditing accounts and compliance.

### Appointments and Remunerations Committee

The primary functions of this committee are to oversee the composition and functioning, as well as the remuneration, of the company's Board of Directors and of the Senior Management.

## Gender representation

Article 7.5 of the Regulations of the Appointments and Remunerations Committee states that the duties of the Committee include setting "a representation target for the gender that is least represented on the Board of Directors and prepare guidelines on how to achieve it". To that end, the Appointments and Remunerations Committee actively seeks to include female candidates for consideration when looking to appoint new directors. Siemens Gamesa has set a target of at least 30 percent female representation on the Board of Directors in 2020.

During the 2017 fiscal year, four women were appointed as members of the Board of Directors. As of September 30, 2017, the company had 6 women on the 13-member Board of Directors. That roughly 46 percent female representation far exceeds our 30 percent target, three years in advance.

## Selection and appointment procedures

Article 30 of SGRE's bylaws states that the members of the Board of Directors must be "appointed or approved by the Shareholders' General Meeting," with the provision that "if there are openings during the period for which Directors were appointed, the Board of Directors can appoint individuals to occupy them until the first Shareholders' General Meeting is held."

The Appointments and Remunerations 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.

Article 7.4 of the Regulations of the Appointments and Remunerations Committee stipulates also a further duty of the Committee, namely to "ensure that the selection procedures are not implicitly biased so as to imply discrimination".

Section 4 c) of the “Policy on selecting Directors” likewise states that “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”.

### Re-election

Article 15 of the Regulations of the Board of Directors states that the “proposals for re-election of Directors submitted by the Board of Directors to the General Shareholders’ Meeting must be accompanied by the corresponding explanatory report in the terms set forth by the 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 and Remuneration Committee, while the re-election of other Directors must have a prior favorable report from this committee.”

Section 2 of the cited article adds that directors who serve on the Appointments and Remuneration Committee must abstain from taking part in the deliberations and votes that affect them.

### Assessment

Article 25.8 of the Regulations of the Board of Directors establishes that the Board of Directors shall, at least once a year, evaluate:

- The quality and effectiveness of its operation
- The performance of duties of the Chairman of the Board of Directors, and if applicable, of the CEO and Coordinating Director, based on a report submitted to the Appointments and Remuneration Committee
- The operation of the committees based on the reports they submit to the Board of Directors

The assessments conducted during 2017 was carried out with the support of external consultants and through work sessions led by the Chairwoman of the Board of Directors and the Chairmen of the Audit, Compliance and Related Party Transactions Committee and of the Appointments and Remuneration Committee, assistance from the internal areas responsible for the corporate governance of the company, the review of minutes and internal company’s documentation, and, finally, through a comparative analysis with the best practices and reference and comparable companies.

### Removal

Members of the Board serve in their position for a period of four years, unless the General Shareholders’ Meeting, for some reason, agrees on their removal. Article 16 of the Regulations of the Board of Directors states that “directors will be removed from their position once the term for which they were appointed has passed, notwithstanding the possibility of being 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.”

Section 2 of the cited article contemplates the circumstances in which directors must place their position at the disposal of the Board of Directors and formalize their resignation, should the Board find it appropriate, subject to a report from the Appointments and Remunerations Committee.

## Conflicts of interest

It is, of course, inevitable in companies the size of ours that from time to time, conflicts of interest will arise between the company and/or its group, and its directors, executives or significant shareholders. Our company has gone to great lengths to ensure that in such cases, we have mechanisms in place for dealing with any real or perceived conflicts.

### *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 within its group and its directors. Any director who finds himself or herself in a conflict of interest or who notices the possibility of such a conflict must notify the Board of Directors. The Chairman of the Board of Directors must include the conflict of interest in question on the agenda of the next meeting of the Board so that it may adopt a resolution as soon as possible regarding the issue. For obvious reasons, the Board member whose conflict or possible conflict is at issue must refrain from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters affecting the said conflict.

### *Possible conflicts of interest between the company and/or its group, and its managers*

Senior management and professionals at SGRE are held to a very high standard when it comes to potential conflict of interest. They are responsible for immediately informing either their supervisor or senior manager, or the Ethics and Compliance Division, about

situations that could potentially give rise to a conflict of interest. In situations where there it is clear that there is, in fact, a conflict of interest, they must inform the Ethics and Compliance Division.

### *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 set forth in article 33 of the Regulations of the Board of Directors.

## Remuneration policy

The Siemens Gamesa policy regarding the remuneration of the company's directors was approved by the Annual General Meeting held on June 20, 2017 and is available in the corporate website: <http://www.siemensgamesa.com/recursos/doc/accionistas-inversores/gobierno-corporativo/politicas-corporativas/corp-governance-policies/policy-of-remuneration-of-directors.pdf>.

The aforementioned policy states that the remuneration of directors, which must always be based on the principle of proportionality, shall be consistent with what is paid in the market in entities comparable in size, activity, complexity of businesses and geographic distribution of operations. With regard to non-executive directors, the amount of their remuneration should be adequate and encourage their dedication, without compromising their independence. In regards to executive directors, the fundamental criterion is to offer remuneration systems that attract, retain and motivate the most qualified professionals so that Siemens Gamesa can fulfill its business objectives.



The Siemens Gamesa policy:  
<http://www.siemensgamesa.com/recursos/doc/accionistas-inversores/gobierno-corporativo/politicas-corporativas/corp-governance-policies/policy-of-remuneration-of-directors.pdf>



Siemens Gamesa directors receive a fixed annual amount for their membership and position on the Board of Directors and its committees and allowances for attendance for each one of the Board of Directors and committees sessions that they effectively attend, regardless of the number of sessions held.

For performance of his executive duties, the CEO also receives a fixed salary, as well as bonuses (annual and long-term) that are tied to delivery of specific, quantifiable objectives. The Board of Directors, at the recommendation of the Appointments and Remuneration Committee, is responsible for determining the level of delivery of these targets.

According to Article 45.3 of the Bylaws, the General Shareholders' Meeting will determine the maximum payment for annual remuneration that Siemens Gamesa will allocate to the group of its directors as such. The Board of Directors will be responsible for determining the exact amount to be paid for each period within this limit and its distribution among the various directors. According to the provisions of the Bylaws, this remuneration is compatible with and independent of that designated for executive directors, which is not subject to the above quantitative limit. The last limit approved by the General Shareholders' Meeting is three million euro (€3,000,000).

## Risk control and management

Siemens Gamesa has established an integrated Risk & Internal Control (RIC) system designed to ensure that we are at all times compliant with the law, as well as with any regulations, rules and contractual obligations to which our company may be bound. Additionally, we have policies and procedures in place to ensure that we are well protected from an economic, social and environmental perspective.

An integral part of the RIC system is the Enterprise Risk Management (ERM) which is aimed at monitoring and managing the overarching risks of the company. The SGRE RIC system is supported by the Board of Directors and Senior Management and implemented throughout the entire organization.

### Risk management process

The risk management process identifies risks along the following four categories:

**Strategic** – Risks that are directly influenced by strategic decisions, arise from long-term strategies or relate to high-level goals.

**Operations** – Risks arising from the day-to-day business and relating to effectiveness and efficiency of our operations, including performance and profitability goals.

**Financial** – Risks arising from finance operations, non-compliance with tax authorities or accounting and reporting requirements.

**Compliance** – Risks arising from non-compliance with the code of conduct, legal, contractual or regulatory requirements.

The key to any successful risk management process is continuous improvement in a constantly changing environment. We need to constantly review and assess to ensure that we are adapting to such changes and remain protected. The ERM process is a continuous cycle that proactively identifies and manages business risks. It encompasses five phases:

**Identify** – At SGRE, we all have a responsibility to detect relevant risks and opportunities (R/O) that could have either a negative or positive impact on the achievement of our strategic, operational, financial and compliance objectives.

**Assess** – At this phase of the process, risks and opportunities that have been identified are evaluated and prioritized in order to focus management's attention and resources on the most important matters. All identified R/O are assessed with respect to their potential impact in areas such as business objectives, reputation, regulatory and economic matters. The time horizon for these impacts is usually three years.

**Respond** – This is where we focus on the definition and implementation of response plans to manage the identified risks, choosing one of several general response strategies such as avoidance, transfer, reduction or acceptance.

**Monitor** – Continuous monitoring is required to enable timely notification in the event of fundamental changes in the R/O situation, and to ensure that the progress of any response plans is satisfactory.

**Report and Escalate** – This focuses on ensuring that there is a standardized and structured reporting framework for identified R/O.

## Response plans

SGRE has a number of response and supervision actions that apply to significant risks. The following stand out:

### Strategic

- Development of new business opportunities, entry into new countries and cost reduction programs in all units to mitigate pressure on margins and volumes
- Mitigation of potential effects of specific country risks through balanced diversification of the sales in other countries/regions and a Security Model that ensures the continuity and security of the business, people and assets in the countries in which the company operates
- Development of a new Business Plan

### Operational

- Establishment and continuous improvement of an Information Security Model capable of preventing and mitigating external threats of cyber-attack
- Development of various control activities associated with our interaction with suppliers, including establishment of multiple sourcing and Ethics and Compliance controls, to minimize risks within the supply chain
- Continuous reduction of costs through specific programs in all regions

## Financial

- Mitigation of balance-sheet risks through continuous monitoring of cash flow and relevant matters that could cause deterioration of assets
- Development of hedging strategies via use of derivative instruments to minimize risks from fluctuating commodity prices
- Mitigation of risk exposure to exchange rates, with measures including but not limited to:
  - increase in local content
  - coverage by means of derivative financial instruments
  - monitoring of open exposure to fluctuation fulfilling the coverage of the company
  - sensitivity analysis for different currencies
- Siemens Gamesa continuously analyses the split of external financing at variable and fixed rates to optimize the interest rate exposure. The company uses derivative financial instruments to mitigate the interest rate risk
- Siemens Gamesa deals with customers who have an appropriate credit history and rating, and companies within the energy sector with an above average credit rating. In cases of customers with no or a below average rating or credit history, a variety of mitigation measures are used, such as irrevocable letters of credit or export insurances to cover the increased credit risk
- Fiscal risks are controlled through various mechanisms established in the Fiscal Risks Control and Analysis Framework, among which are:
  - Periodic reporting to the management and supervision bodies of the company on compliance with good tax practices
  - Application of the Corporate Tax Policy
  - Specific control, in every region, of compliance with fiscal legal requirements

## Compliance

- Mitigation of severe accidents and fatalities risk takes several forms, including:
  - Reinforcement of zero tolerance policy
  - Specific shock plans for each severe accident and global prevention plans for regions with a specifically high risk profile
  - Preventive measures for H&S before operating in a new geographical location
  - System of monitoring of regulatory changes and manuals for the prevention of crimes as requirements of the main operational regions

## Business ethics and transparency

As has been noted elsewhere in this report, Siemens Gamesa is a new company, but it was born from the merger of two established companies each with a strong history of commitment to business ethics and transparency. That commitment remains alive and well at SGRE. There is no place for illicit or fraudulent conduct in our company. There is zero tolerance for corruption. We expect this from ourselves, and we expect it from the people and organizations with which we deal. Our governance principles are founded on corporate transparency and mutual trust between our company, our shareholders and stakeholders, and the general public.

## Code of Conduct

The Siemens Gamesa Code of Conduct, which is reviewed periodically, embodies our company's commitment to ethical conduct and transparency. It sets out a number of principles and rules of conduct designed to guarantee the ethical and responsible behaviour of all Siemens Gamesa employees. These include:

### **Respect for human rights and civil liberties**

Siemens Gamesa is committed to the application of the United Nations Global Compact, as well as the UN Norms on the Responsibilities of Transnational Corporations and Other Business with Regard to Human Rights, the United Nations Convention against Corruption (UNCAC), OECD Guidelines, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the social policy of the International Labor Organization. In addition, our company adheres to the Women's Empowerment Principles of the United Nations Development Fund for Women (UNIFEM).

### **Compliance with the law**

Siemens Gamesa and its employees are committed to observing any and all legislation that is in force in countries where they carry out their activities, fully abiding with their spirit and purpose.

## **Equal opportunity, diversity and inclusion**

Siemens Gamesa undertakes to ensure that its policies and practices of recruitment, selection, hiring and paying focus on criteria of merit and, in particular, are carried out in the spirit of the principle of gender equality. In addition, we observe the legislation in each country regarding diversity and inclusion. We are committed to providing a working environment that promotes dignity and respect, rejects any manifestation of violence or abuse of authority in the workplace, and allows for no conduct that would generate an environment that is intimidating or offensive to the personal rights of any employee.

### **Occupational health and safety**

Siemens Gamesa promotes a policy and culture of occupational risk prevention, ensuring its dissemination to all staff to guarantee occupational health and safety. We also insist on compliance with the pertinent legislation in force in each country. The goals of this policy include zero tolerance toward negligent occupational health and safety conduct, a commitment to continuous improvement and the implementation of an occupational risk prevention management system to consolidate the observance of international practices and standards guided by excellence criteria in the application of an occupational risk prevention management system.

### **Environmental respect**

The preservation of natural resources, the environment and the health and well-being of the people in our communities are priorities for Siemens Gamesa. We have zero tolerance for negligent environmental conduct, and are working towards the implementation of an Environmental Management System to consolidate the observance of international practices and standards guided by excellence criteria.

### **Public health protection**

The products that Siemens Gamesa puts on the market must satisfy health and safety legislation in the various countries where they operate. Our employees have an obligation to inform their direct managers of the existence of any alteration or poor condition of the products that they use, handle or store, that could compromise the public health and safety of people in their environment.

### **Professional, family and personal reconciliation**

Siemens Gamesa is aware of the importance of comprehensive personal development, and will promote family reconciliation policies with a view to rendering the necessary balance between the professional, family and personal lives of its employees.

### **The fight against fraud. Rejection of corruption and bribery**

At Siemens Gamesa, we believe in the principles of legality and are committed to the fight against corruption in all its forms. Our employees know that we have zero tolerance for any practices that could be considered to be irregular in developing their relationships with clients, suppliers, providers, competitors, and authorities, including actions concerning money laundering.

We have specific directives concerning gifts, tokens, invitations, trips and other types of remuneration that tend to limit and in some cases ban gifts and invitations from and to our employees. Should there be any doubt or concerns in this regard, employees must notify or formulate a consultation through their direct manager or Ethics and Compliance Division.

### **Preventing conflicts of interest**

A “conflict of interest” exists when there is direct or indirect collision between the personal interest of an employee and the interests of the company. Professionals must avoid situations that could give rise to a conflict of interest and refrain from influencing or intervening in the decision-making in situations in which they have a personal interest in favoring other related persons, themselves or third-party companies to the detriment of the interests of Siemens Gamesa and its group, or undermining the interests of other persons or companies.

When facing any potential conflict of interest, company employees must notify Siemens Gamesa, their direct manager and the Ethics and Compliance Division. The hierarchical manager shall report all potential conflicts of interest in his/her area to the Ethics and Compliance Division.



# Financial calendar

11/06/2018

Full year 2018

07/27/2018

Third quarter 2018

05/04/2018

Second quarter 2018

02/15/2018

Capital Market Day 2018

01/30/2018

First quarter 2018

# Forward looking information

This document contains statements related to our future business and financial performance and future events or developments involving Siemens Gamesa Renewable Energy group that may constitute forward-looking statements. These statements may be identified by words such as “expect,” “look forward to,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “project” or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases and include, without limitation, statements concerning our future business development and economic performance and our shareholder remuneration policy. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens Gamesa Renewable Energy’s management, of which many are beyond Siemens Gamesa Renewable Energy’s control. These are subject to a number of risks, uncertainties and factors, including, but not limited to: (1) general market, macro-economic, industry, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties.

Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens Gamesa Renewable Energy may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens Gamesa Renewable Energy neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated. Forward-looking statements speak only as of the date of this document and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Siemens Gamesa Renewable Energy does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. The following document includes – in IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens Gamesa Renewable Energy net assets and financial positions or results of operations as presented in accordance with IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently. The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries. Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Management Report, excerpts of which appear in this Annual Report, was originally published in Spanish and in the event of any discrepancies the Spanish-language version, which is available in full on our company website, should prevail. For all other parts of this Report, the English-language versions take precedence in case of any discrepancies. The Sustainability and Corporate Governance sections of this Annual Report are condensed versions of the full documents, which are available on our company website. In case of any discrepancies, the full versions of both documents are to be treated as authoritative and valid.

# Disclaimer

The information contained in this document is a summary or an extract of Siemens Gamesa Renewable Energy's public information. Therefore it is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant, any fuller disclosure document published by Siemens Gamesa Renewable Energy and, in particular, with the 2017 individual and consolidated financial statements, 2017 individual and consolidated management reports and 2017 annual corporate governance report all available on the CNMV's website ([www.cnmv.es](http://www.cnmv.es)) and on Siemens Gamesa's website ([www.siemensgamesa.com/en/](http://www.siemensgamesa.com/en/)) and also with the 2017 sustainability report available in the aforementioned corporate website. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in this document. No investment activity should be undertaken on the basis of the information contained in this document. In making this document available, Siemens Gamesa Renewable Energy gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Siemens Gamesa Renewable Energy, S.A. or in any other securities or investments whatsoever. This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of (i) the restated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October; (ii) Royal Decree-Law 5/2005, of 11 March; (iii) Royal Decree 1310/2005, of 4 November; (iv) and their implementing regulations. In addition, this document does not constitute an offer of purchase, sale or exchange, nor a request for an offer of purchase, sale or exchange of securities, nor a request for any vote or approval in any other jurisdiction. The shares of Siemens Gamesa Renewable Energy, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to a valid exemption from registration.

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# Imprint

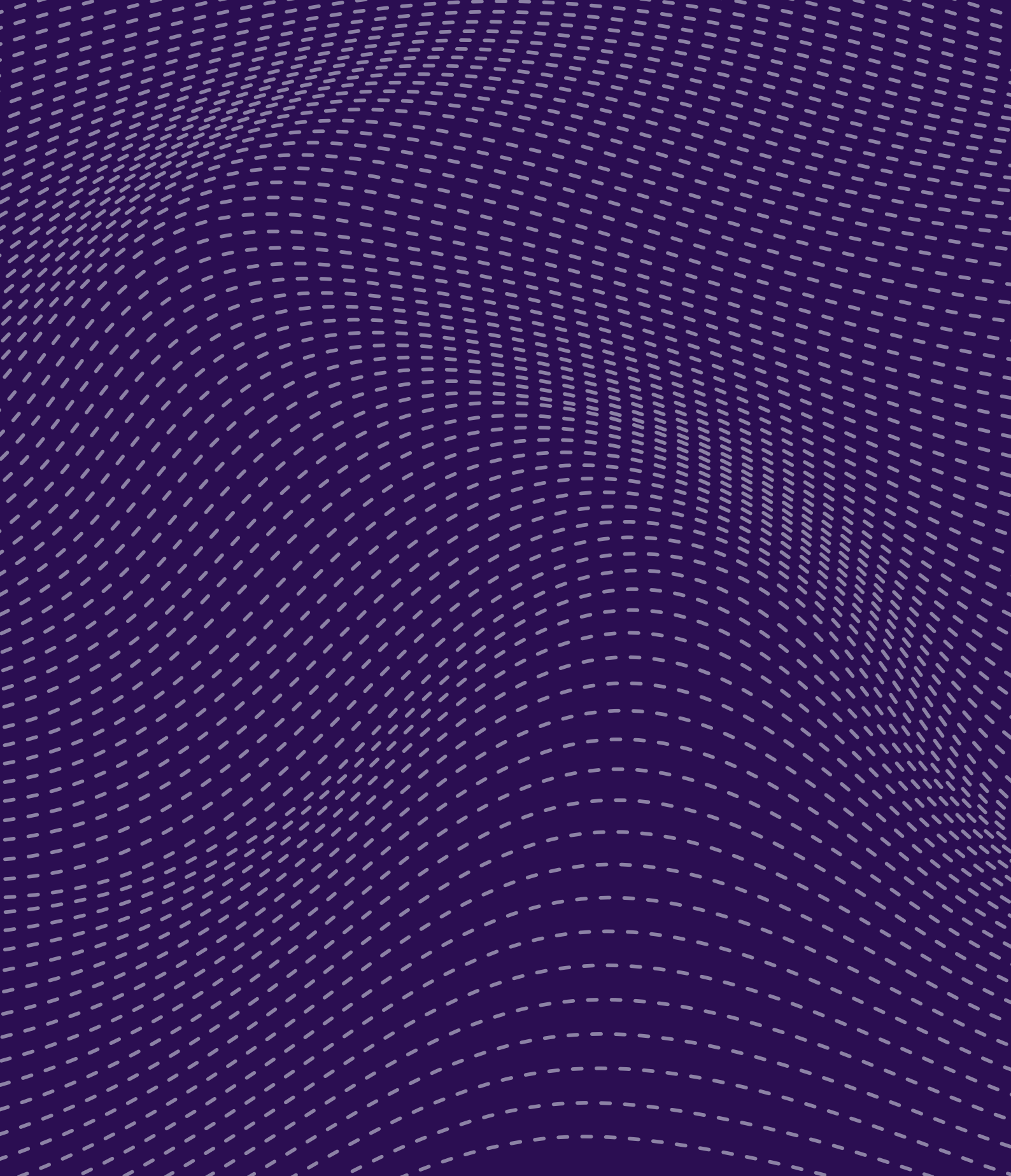
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Editorial  
Siemens Gamesa Renewable Energy  
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**Audit Report on Consolidated Financial Statements  
issued by an Independent Auditor**

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. and Subsidiaries  
Consolidated Financial Statements and Management Report  
for the nine month period ended  
September 30, 2017**

Translation of a report and consolidated financial statements originally issued in Spanish.  
In the event of discrepancy, the Spanish-language version prevails (See Note 38)

## AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of SIEMENS GAMESA RENEWABLE ENERGY, S.A.:

### Report on the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (hereinafter the parent company) and subsidiaries (hereinafter the Group), which comprise the consolidated balance sheet as at September 30, 2017, the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto for the nine month period then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the equity and financial position of the Group as at September 30, 2017 and of its financial performance and its cash flows, all of them consolidated, for the nine month period then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain (identified in Note 2 to the accompanying consolidated financial statements) and, specifically, the accounting principles and criteria contained therein.

#### Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

### MERGER OF THE SIEMENS WIND POWER BUSINESS WITH GAMESA

Reason for classification as a key audit matter:

On April 3, 2017, the merger of the Siemens wind power business with Gamesa Corporación Tecnológica S.A., ("Gamesa") was completed. The Siemens Group holds 59% of the shares while Gamesa's former shareholders hold 41% of the shares of the combined entity. This transaction is accounted in accordance with IFRS 3, *Business Combinations*. For accounting purposes, this merger qualifies as a reverse acquisition, by which the Siemens wind power business is considered as the accounting acquirer (legal acquiree) and GAMESA as the accounting acquiree (legal acquirer). This is because the Siemens Wind Power HoldCo shareholders as a group received the majority of the voting rights in the merged entity. Accordingly, the assets and liabilities of former GAMESA are measured in the Consolidated Financial Statements at their fair values as of the acquisition date.

Due to the complexity of the transaction and the associated significant risk of material misstatement, and considering the assumptions and estimates required to be made by management as part of the purchase price allocation, the accounting for this business combination was, in our professional judgment, a key audit matter.

Audit procedures:

Our audit procedures in relation to the preliminary purchase price allocation included, in addition to assessing the consideration transferred by Siemens, the evaluation of the methodological approach of the external expert engaged by management with respect to the identification of assets acquired as well as the conceptual evaluation of valuation models considering the requirements of IFRS 3. With the assistance of our internal valuation specialists, we examined the valuation methods applied in terms of the requirements defined in IFRS 13, *Fair Value Measurements*. Furthermore, we analyzed whether the assumptions and estimates (such as growth rates, cost of capital, royalty rates or remaining useful lives) used in determining the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) as of the acquisition date correspond to general and industry-specific market expectations. Additionally, we reperformed the calculations in the models and reconciled the expected future cash flows underlying the measurements with, inter alia, internal business plans. We inquired management about the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the acquired business and the company's forecasts.

An area of focus was the determination of the fair value of technologies and the measurement of warranty obligations associated with projects. In this regard, among other procedures, we assessed the appropriateness as audit evidence of the valuation report as well as reports from external experts in the wind power sector engaged by management.

Furthermore, we analyzed the application of uniform accounting policies of the entities, the tax effects of the merger, and the processing of the initial consolidation of entities, including non-controlling interests in the consolidation system. In addition, we evaluated the disclosures in the notes to the consolidated financial statements regarding the merger in terms of the requirements defined in IFRS 3.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of the merger of the Siemens' wind power business with Gamesa are presented in the notes to the consolidated financial statements under notes 1.B "Merger of Siemens wind power business with Gamesa" and 1.D "Reverse acquisition". The Company's disclosures regarding the transaction as well as disclosures regarding the preliminary purchase price allocation are presented under note 3 "Acquisitions, dispositions and discontinued operations".

## REVENUE RECOGNITION ON CONSTRUCTION CONTRACTS

Reason for classification as a key audit matter:

The Siemens Gamesa Renewable Energy Group conducts a significant portion of its business under construction contracts. Revenue recognition for such contracts is recognized in accordance with IAS 11, *Construction Contracts* by applying the percentage-of-completion ("PoC") method. We consider the accounting for construction contracts to be an area posing a significant risk of material misstatement (including the potential risk of management override of internal controls) and accordingly a key audit matter, because management's assessments significantly impact on the determination of the extent of progress towards completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total contract costs, remaining cost to complete the contract, total contract revenues as well as contract risks, including technical, regulatory, political and legal risks.

Revenue, total contract costs and profit recognition may deviate significantly from original estimates based on new or additional information about cost overruns and changes in project scope over the term of a construction contract.

Revenue recognition according to the POC method requires SGRE management to make significant estimates regarding the planned revenues and costs, as well as the margin and the percentage of completion for each contract. Since revenues are recognized based on these estimates in each period, there is a high degree of management judgement involved. For this reason, we have considered this matter as a key audit matter for our audit.

#### Audit procedures:

As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phases of construction contracts. We also assessed the design and operating effectiveness of the accounting-related internal controls by examining business transactions specific to construction contracts from the initiation of the transaction through recognition in the consolidated financial statements, and testing internal controls over these processes.

As part of our substantive audit procedures, we evaluated management's estimates and assumptions based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects; projects with complex technical requirements or with a large portion of materials or services to be provided by suppliers, subcontractors, cross-border projects, and projects with changes in cost estimates, delays and/or low or negative margins.

Our audit procedures included, among others, review of the sample contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated damages. In order to evaluate whether revenues were recognized on an accrual basis, we analyzed billable revenue and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the percentage of completion, and examined the accounting for the associated positions in the statement of financial position. Considering the requirements of IAS 11, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project managers (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and management's assessment on probabilities that contract risks will materialize.

Furthermore, we obtained evidence from third parties for selected projects (e.g., project acceptance documentation, contractual terms and conditions, and legal confirmations regarding alleged breaches of contract and claims asserted) and inspected plant and project locations. To identify anomalies in profit margin development throughout the projects' execution, we also applied data analysis procedures.

Due to the large contract volume and risk profile, our audit procedures especially focused on large contracts for the construction of off- and onshore wind parks.

#### Reference to the accompanying disclosures:

The Company's disclosures regarding revenue recognition on construction contracts are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding provisions for impending order related losses- and risks are presented under note 23 "Provisions".

## PROVISIONS

Reason for classification as a key audit matter:

In our professional judgment, the accounting for provisions for warranties as well as other legal and quality matters from or in connection with projects, was a key audit matter. These matters are particularly uncertain and requires estimates that could significantly influence the recognition and amount of respective provisions and thus, the financial position and results of operations. The uncertainties and judgmental estimates mainly concern the expected failure rates, expected repair costs, complexity of the necessary repair or replacement work, the expected period of cash outflows as well as the discount rates. As a consequence, there is significant judgement associated with the provisions to cover these risks.

Audit procedures:

Our audit procedures, amongst others, included reviewing the supporting documentation for the utilization of the provisions as of September 30, 2017, validating consistency with the most updated internal technical reports, and when available, also with the external advisors conclusions for main technical issues. Additionally, we have compared the failure rate prediction and forecasting of the average cost per exchange to incurred actuals and reviewed the recalculated related warranty accruals.

Based on to the aforementioned uncertainties, our audit procedures related to provisions for warranty and other quality matters focused on the expected failure rates, expected repair costs and the expected period of cash outflows as well as the discount rates.

Our audit procedures contained, among other things, assessing the adequacy of the opinion from the independent experts engaged by the legal representatives to support the calculation of the expected failure rates as audit evidence. In addition, we assessed the statistical methodologies applied for calculating the expected failure rates using the expertise of our valuation specialists taking into account the significant judgmental estimates in particular due to long duration. Furthermore, we evaluated current year modifications regarding expected cost and failure rates and compared actual costs and failure rates to the prior year expectations. For expected repair costs, we inquired technical and commercial managers about the current cost estimates used for the calculation.

In the course of our audit of the accounting treatment of legal and regulatory proceedings, we have concerned ourselves with the processes and internal controls implemented by the Group to identify, assess and account for legal and regulatory proceedings. To determine which potential significant pending legal proceedings or claims asserted are known and whether the estimates made by the legal representatives regarding the expected cash outflows are appropriate, our audit procedures included inquiries of legal representatives and other persons within the group familiar with these matters, obtaining written explanations by internal legal counsel addressing the measurement of the estimated cash outflow and the probability of occurrence, obtaining confirmations from external legal advisors as well as assessing written statements with respect to the accounting in the consolidated financial statements. We also examined expense accounts for legal advice, to identify circumstances not taken into account and inspected other suitable audit evidence.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of provisions are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding provisions are presented under note 23 "Provisions".

## UNCERTAIN TAX POSITIONS AND DEFERRED TAXES

Reason for classification as a key audit matter:

In our professional judgment, the accounting treatment of income taxes and deferred taxes was a key audit matter as the SGRE Group operates in numerous countries and is subject to different local tax regulations. These matters are particularly uncertain and require estimates that could significantly influence the recognition and amount of respective tax positions and thus the financial position and results of the Group. The uncertainties and judgmental estimates particularly pertain to the measurement and completeness of uncertain tax positions, the recognition and recoverability of deferred tax assets and the measurement and completeness of deferred tax liabilities. As a consequence, there is significant judgement involved in the accounting for uncertain tax positions and deferred taxes.

Audit procedures:

Our audit procedures, amongst others, have been to assess the adequacy of the Directors' taxation provisions by considering factors such as the risk profile of each matter and whether the provision addresses possible penalties and interest.

With the assistance of our internal tax specialists, we verified the calculation methodologies applied with regard to income tax positions and considered the requirements under IAS 12, *Income Taxes*. Furthermore, we analyzed whether the assumptions and judgmental estimates used to determine the tax risks and potential tax implications are in line with the accounting treatment.

We inquired senior management and challenged the judgements made to assess the recoverability of the deferred tax assets recognized. Additionally, we recalculated the models used to support the recoverability of tax assets and reconciled expected future taxable income, among others, with internal business plans. We inquired management of the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the entity and the company's forecasts.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of income taxes are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding income taxes are presented under notes 26 "Income taxes expense/(income)" and 27 "Deferred taxes".

## FAIR VALUE MEASUREMENTS

Reason for classification as a key audit matter:

In our professional judgment, the accounting treatment of fair value measurements was a key matter as the SGRE Group accounts for significant amount of goodwill, intangible assets and inventories. The measurement of these matters is particularly uncertain and requires estimates that could significantly influence the amounts accounted for and thus the financial position and results. The uncertainties and judgmental estimates particularly concern assessing the fair value of these assets according to IFRS 13. In addition, goodwill and intangible assets with an indefinite-life must be tested for impairment on an annual basis. This is done by determination of the recoverable amount of these assets, being the higher of value-in-use and fair value less costs to dispose. This requires significant judgements on current market conditions such as future price expectation as well as expected growth rates, the timing of future cash flows and the most appropriate discount and long-term growth rates. As a consequence, there is significant judgement regarding the fair value measurement of these positions.

Audit procedures:

In relation to the impairment tests performed for goodwill and intangible assets, we validated the key assumptions as disclosed in note 9 of the consolidated financial statements where possible with external data.

With assistance of our valuation specialists, we verified the calculation methodologies applied with regard to discounted cash flow model used to determine the recoverable amounts of the assets and the requirements under IFRS 13. Furthermore, we analyzed whether the assumptions and judgmental estimates used to determine the future cash flows as well as the parameters used are in line with the accounting treatment.

We also inquired senior management and challenged the judgements made to assess the parameters used and the cash flows planned. Additionally, we recalculated the models used to support the recoverable amount of the assets and reconciled expected future cash flows, among other, with internal business plans. We inquired management of the key assumptions and obtained evidence for the explanations provided by comparing key assumptions to market data, underlying accounting records, past performance of the entity and the company's forecasts.

We also tested management's sensitivity analyses around key assumptions i.e. average future growth rate, long-term average growth rate and discount rate applied for the segments and challenged management on the outcomes of the assessment. We also assessed the disclosures regarding the fair value measurements with regard to the requirements under IFRS 13.



As part of our audit, we verified that inventories are measured at the lower of cost or net realizable value. In case net realizable value was below the recognized costs of these inventories, we audited that the respective inventory item was re-measured. In addition, we evaluated whether quantity risks (e.g. slow-moving or surplus items), technical risks (e.g. technical obsolescence, impaired usability, inventories destined for scrapping) and price risks (e.g. caused by changes in the price level) were considered. We also inquired senior management and challenged the judgements made regarding future price estimates, the potential project pipeline related to these inventories and the assessment of technical obsolescence used to determine the realizable value.

Reference to the accompanying disclosures:

The Company's disclosures regarding the accounting treatment of fair value measurements are presented in the notes to the consolidated financial statements under note 6 "Key accounting judgements and estimates". The Company's disclosures regarding fair value measurements are presented under note 3 "Acquisitions, dispositions and discontinued operations".

#### **Other information: consolidated management report**

Other information refers exclusively to the 2017 consolidated management report, the preparation of which is the responsibility of the Company's directors of the parent company and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in the regulations governing the audit activity, which establishes two different levels of review of the same:

a) A specific level that is applicable to the status of consolidated non-financial information, as well as to certain information included in the Corporate Governance Report, as defined in art. 35.2. b) Law 22/2015, on Audit of Accounts, which consists in verifying only that the aforementioned information has been provided in the management report and, if not, to inform about it.

b) A general level applicable to the rest of the information included in the management report, which consists of evaluating and reporting on the agreement of the aforementioned information with the consolidated annual accounts, based on the Group's knowledge obtained in the performance of the audit of the aforementioned accounts and without including information other than that obtained as evidence during the same, as well as evaluating and reporting whether the content and presentation of the consolidated management report are in accordance with the regulations that are applicable. If, based on the work we have done, we conclude that there are material inaccuracies, we are obliged to report it.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated management report is consistent with that provided in the 2017 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

## **Responsibilities of the parent company directors and the audit, compliance and related party transactions committee for the consolidated financial statements**

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

In preparing the consolidated financial statements, the parent company directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit, compliance and related party transactions committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the parent company management.
- Conclude on the appropriateness of the parent company director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit, compliance and related party transactions committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit, compliance and related party transactions committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit, compliance and related party transactions committee of the parent company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Report on other legal and regulatory requirements**

### **Additional report to the audit, compliance and related party transactions committee of the parent company**

The opinion expressed in this audit report is consistent with the additional report we issued to the audit, compliance and related party transactions committee of the parent company on November 30, 2017.

### **Term of engagement**

The ordinary general shareholders' meeting held on June 20, 2017 appointed us as Group auditors for one year, commencing on January 1, 2017.

Previously, we were appointed as auditors by the shareholders for three years and we have been carrying out the audit of the consolidated financial statements continuously since January 1, 2014.

ERNST & YOUNG, S.L.

Signed on the original in Spanish

November 30, 2017

**Siemens Gamesa Renewable Energy, S.A.  
and subsidiaries composing the SIEMENS  
GAMESA Group**

Consolidated Financial Statements and Management's  
Report for the year ended September 30, 2017

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**  
CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2017 AND DECEMBER 31, 2016  
Thousands of euros

	Note	09.30.2017	12.31.2016
<b>Assets</b>			
Cash and cash equivalents	17	1,659,468	148,223
Trade and other receivables	16	1,081,139	365,535
Other current financial assets	13	175,669	96,111
Receivables from Siemens Group	33	62,010	1,142,866
Inventories	15	3,455,098	1,647,892
Current income tax assets		188,394	-
Other current assets	28	341,456	63,595
<b>Total current assets</b>		<b>6,963,234</b>	<b>3,464,222</b>
Goodwill	9	4,660,212	164,848
Other intangible assets	10	2,302,857	38,841
Property, plant and equipment	11	1,537,357	868,940
Investments accounting for using the equity method	12	73,609	-
Other financial assets	13	285,832	71,779
Deferred tax assets	27	534,644	114,712
Other assets		109,385	65,888
<b>Total non-current assets</b>		<b>9,503,896</b>	<b>1,325,008</b>
<b>Total assets</b>		<b>16,467,130</b>	<b>4,789,230</b>
<b>Liabilities and equity</b>			
Debt	21	797,018	104
Trade payables		2,231,589	697,003
Other current financial liabilities	13	96,267	63,464
Payables to Siemens Group	33	363,543	110,218
Current provisions	23	603,487	359,768
Current income tax liabilities		154,546	5,416
Other current liabilities	28	2,644,758	1,964,989
<b>Total current liabilities</b>		<b>6,891,208</b>	<b>3,200,962</b>
Debt	21	485,116	1,723
Post-employment benefits	24	12,617	7,082
Deferred tax liabilities	27	709,389	46,891
Provisions	23	1,701,640	887,673
Other financial liabilities	13	200,988	40,732
Other liabilities	25	16,306	18,060
<b>Total non-current liabilities</b>		<b>3,126,056</b>	<b>1,002,161</b>
Issued capital	19.A	115,794	68,319
Capital reserve	19.B	5,931,874	-
Unrealised asset and liability revaluation reserve	19.C	55,782	21,971
Retained earnings		493,745	502,682
Treasury shares, at cost	19.E	(21,505)	-
Currency translation differences		(128,638)	(6,931)
Non-controlling interest	20	2,814	66
<b>Total Equity</b>		<b>6,449,866</b>	<b>586,107</b>
<b>Total Liabilities and Equity</b>		<b>16,467,130</b>	<b>4,789,230</b>



Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 38)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR  
THE YEAR ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016  
Thousands of euros

	Note	9 months period ended 09.30.2017	12 months period ended 12.31.2016
Revenue	30.A	6,538,198	6,163,896
Cost of sales		(5,956,764)	(5,163,362)
<b>Gross profit</b>		<b>581,434</b>	<b>1,000,534</b>
Research and development expenses		(140,957)	(198,388)
Selling and general administrative expenses		(414,198)	(289,859)
Other operating income		4,264	3,487
Other operating expenses		(30,546)	(7,619)
Income (loss) from investments accounted for using the equity method, net	12	410	-
Interest income	30.G	9,389	(673)
Interest expenses	30.H	(31,337)	(5,812)
Other financial income (expenses), net	30.F	(1,455)	2,341
<b>Income from continuing operations before income taxes</b>		<b>(22,996)</b>	<b>504,011</b>
Income tax expenses	26	10,217	(60,973)
<b>Income from continuing operations</b>		<b>(12,779)</b>	<b>443,038</b>
Income from discontinued operations, net of income taxes		-	-
<b>Net income</b>		<b>(12,779)</b>	<b>443,038</b>
<b>Attributable to:</b>			
Non-controlling interests	20	2,428	135
Shareholders of Siemens Gamesa Renewable Energy, S.A.		(15,207)	442,903
<b>Earnings per share in euros (basic and diluted)</b>	34	(0.03)	1.10

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 38)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR  
 THE YEAR ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

Thousands of euros

	Note	9 months period ended 09.30.2017	12 months period ended 12.31.2016
<b>Net income (Consolidated Statement of Profit and Loss)</b>		<b>(12,779)</b>	<b>443,038</b>
<b>Items that may be subsequently reclassified into profit and loss</b>			
Currency translation differences		(121,707)	10,065
Remeasurements of defined benefit plans	24	(2,064)	-
Tax effect	24	(852)	-
Derivative financial instruments	19.C	51,013	37,891
Tax effect	19.C	(14,992)	(2,506)
<b>Amounts transferred to profit and loss</b>			
Derivative financial instruments	19.C	(3,416)	(25,879)
Tax effect	19.C	1,206	(2,583)
<b>Other comprehensive income</b>		<b>(90,812)</b>	<b>16,988</b>
<b>Total comprehensive income</b>		<b>(103,591)</b>	<b>460,026</b>
<b>Attributable to:</b>			
Non-controlling interests	20	2,428	135
Shareholders of Siemens Gamesa Renewable Energy, S.A.		(106,019)	459,891

Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 38)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR  
THE YEAR ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016  
Thousands of euros

	Issued capital	Capital reserve	Unrealised asset and liability revaluation reserve	Retained earnings	Treasury shares at cost	Currency translation differences	Non-controlling interests	Total equity
<b>Balances at January 1, 2016</b>	<b>68,319</b>	-	<b>15,048</b>	<b>(475,132)</b>	-	<b>(16,996)</b>	<b>(3,648)</b>	<b>(412,409)</b>
Total comprehensive income for the year ended December 31, 2016	-	-	-	442,903	-	-	135	443,038
Other comprehensive income, net of income taxes	-	-	6,923	-	-	10,065	-	16,988
Share-based payments (Note 4.T)	-	-	-	8,044	-	-	-	8,044
Other changes in equity	-	-	-	526,867	-	-	3,579	530,446
<b>Balances at December 31, 2016</b>	<b>68,319</b>	-	<b>21,971</b>	<b>502,682</b>	-	<b>(6,931)</b>	<b>66</b>	<b>586,107</b>
Total comprehensive income for the year ended September 30, 2017	-	-	-	(15,207)	-	-	2,428	(12,779)
Other comprehensive income, net of income taxes	-	-	33,811	(2,916)	-	(121,707)	-	(90,812)
Share-based payments (Note 4.T)	-	-	-	10,668	-	-	-	10,668
Treasury shares transactions (Note 19.E)	-	-	-	(16,205)	15,905	-	-	(300)
Issuance of shares	47,475	6,192,337	-	-	(37,410)	-	448	6,202,850
Contribution	-	813,351	-	-	-	-	-	813,351
Extraordinary Dividend payment	-	(998,674)	-	-	-	-	-	(998,674)
Ordinary Dividend	-	(75,140)	-	-	-	-	-	(75,140)
Other changes in equity	-	-	-	14,723	-	-	(128)	14,595
<b>Balances at September 30, 2017</b>	<b>115,794</b>	<b>5,931,874</b>	<b>55,782</b>	<b>493,745</b>	<b>(21,505)</b>	<b>(128,638)</b>	<b>2,814</b>	<b>6,449,866</b>

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND DECEMBER 31, 2016  
Thousands of euros

	Note	9 months period ended 09.30.2017	12 months period ended 12.31.2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before taxes		(22,996)	504,011
<b>Adjustments to reconcile income before taxes to cash flows from operating activities</b>			
Interest (income) expenses, net		23,402	5,450
Amortization, depreciation and impairments	10 and 11	472,012	163,605
(Income) loss related to investing activities		3,466	4,112
Other non-cash (income) expenses		26,863	(4,979)
Change in operating net working capital			
Inventories		(544,414)	(204,966)
Advance payments received		(402,786)	44,803
Trade and other receivables		318,623	242,865
Trade payables		(48,636)	40,474
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances		(315,348)	(213,220)
Change in other assets and liabilities		227,313	281,988
Income taxes paid		(94,307)	(982)
Dividends received		2	-
Interest received		7,813	26
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(348,993)</b>	<b>863,187</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to intangible assets and property, plant and equipment	10 and 11	(411,865)	(392,543)
Acquisitions of businesses, net of cash acquired	3	9,150	-
Purchase of investments		(2,017)	(200)
Disposal of intangibles and property, plant and equipment		4,119	6,187
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(400,613)</b>	<b>(386,556)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash contributions from majority shareholder	1.B	813,351	-
Repayment of long-term debt (including current maturities of long-term debt)		-	(46)
Change in short-term debt and other financing activities		261,263	-
Financing transactions with related parties		1,341,543	(330,812)
Dividends paid		(75,140)	-
Interest paid		(27,421)	(5,627)
Purchase / sales of treasury shares		(300)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,313,296</b>	<b>(336,485)</b>
<b>EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>		<b>(52,445)</b>	<b>448</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>1,511,245</b>	<b>140,594</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>148,223</b>	<b>7,629</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>1,659,468</b>	<b>148,223</b>

*Translation of Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish – language version prevails (Note 38).*

## **Siemens Gamesa Renewable Energy, S.A. and Subsidiaries composing the SIEMENS GAMESA Group**

Notes to the Consolidated Financial Statements for the  
year ended September 30, 2017

### **1. Formation of the Group and its activities**

#### **A. GENERAL INFORMATION**

The Consolidated Financial Statements present the financial position and the results of operations of SIEMENS GAMESA Renewable Energy, S.A. (previously Gamesa Corporación Tecnológica, S.A.) (hereinafter “the Company” or “SIEMENS GAMESA”), headquartered at Parque Tecnológico de Vizcaya, Edificio 222, Zamudio (Bizkaia – Spain), and its subsidiaries (together referred to as the “Group”).

The Shareholders' Meeting of the Company held on June 20, 2017 approved, among others, the change of the Company name from Gamesa Corporación Tecnológica, S.A. to SIEMENS GAMESA Renewable Energy, S.A., as well as the year end closing date, from December 31 to September 30.

SIEMENS GAMESA specializes in the development and construction of wind farms, as well as the engineering, design, production and sale of wind turbines. The corporate purpose of the Company is to promote and foster companies, and to do so it may carry out the following operations:

- a. The subscription and purchase of shares or stocks, or of securities that can be converted into these, or which grant preferential purchase rights, of companies whose securities are listed or not in national or foreign stock exchanges;
- b. The subscription and purchase of fixed-income securities or any other securities issued by the companies in which they hold a stake, as well as the granting of participatory loans or warranties; and
- c. To directly provide advisory services and technical assistance to the companies in which they hold a stake, as well as other similar services related to the management, financial structure, or production or marketing processes of those companies.

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

All the activities comprising the aforementioned corporate purpose can be undertaken both in Spain and abroad, and can be carried out completely or partially, in an indirect manner, through the ownership of shares or stocks in companies with the same or similar purpose.

The Company will not undertake any activity for which the laws require specific conditions or limitations, so long as these conditions or limitations are not exactly fulfilled.

Its activities are divided into two business segments: Wind Turbines and Operation and Maintenance. The Wind Turbines division offers wind turbines for various pitch and speed technology, as well as provides development, construction and sale of wind farms. The Operation and Maintenance division is responsible for the management, monitoring and maintenance of wind farms.

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

The Company's bylaws and other public information of the Company may be consulted on the website [www.siemensgamesa.com](http://www.siemensgamesa.com) and at its registered office.

SIEMENS GAMESA prepares and reports its Consolidated Financial Statements in thousands of euros. Due to rounding, numbers presented may not add up precisely to totals provided.

## **B. MERGER OF SIEMENS WIND POWER BUSINESS WITH GAMESA**

On 17 June 2016, Gamesa Corporación Tecnológica, S.A. ("GAMESA") and Siemens AG ("SIEMENS") signed a binding Merger agreement whereby both parties agreed on the terms and conditions pursuant to which GAMESA and the Siemens Wind Power Business (as defined therein) would be combined by way of a statutory Merger by absorption of Siemens Wind HoldCo, S.L. (as absorbed entity) by and into GAMESA (as absorbing entity) (the "Merger") with the dissolution without liquidation of the former and the en bloc transfer of all of its assets and liabilities to the latter, which has acquired by universal succession all of the rights and obligations of Siemens Wind HoldCo, S.L.

At the signing date of the Merger agreement, the Siemens Wind Power Business was not held by a separate sub-group within the Siemens Group but by various entities within it. In order to allow the integration of the Siemens Wind Power Business with GAMESA's business through the Merger, Siemens implemented an internal carve-out process, as a result of which the Siemens Wind Power Business was held, directly or indirectly, by Siemens Wind HoldCo, S.L., Zamudio/Spain.

The carve-out was implemented through (i) the execution of asset transfer agreements and/or (ii) the acquisition, transfer or contribution of shares. As a result of the foregoing, Siemens Wind HoldCo, S.L. became the direct or indirect owner of the Siemens Wind Power Business.

In the context of the Siemens Wind Power carve-out, the shares in Siemens Wind HoldCo, S.L. were split and assigned a nominal value of EUR 0.17 per share and a share capital increase of Siemens Wind HoldCo, S.L. by contributions in kind was approved by Siemens, effective as of December 31, 2016. As a result, the share capital in Siemens Wind HoldCo, S.L. amounted to EUR 68,318,681.15, divided into 401,874,595 shares of EUR 0.17 par value each, fully subscribed and paid up; and Siemens Wind HoldCo, S.L. ceased to be a sole shareholding company, being its shareholders SIEMENS (holder of 51.06% of the share capital) and Siemens Beteiligungen Inland GmbH (holder of 48.94% of the share capital).

The Merger was approved by the Extraordinary General Shareholders' Meeting of GAMESA on October 25, 2016 and by SIEMENS at that moment, as sole shareholder of Siemens Wind HoldCo, S.L. ("Siemens Wind Power Parent"), on October 26, 2016. As mentioned before, in addition to SIEMENS, another company within the Siemens Group (Siemens Beteiligungen Inland GmbH) also became shareholder of Siemens Wind Power Parent and, consequently and pursuant to the Merger, has also become shareholder of SIEMENS GAMESA. SIEMENS and Siemens Beteiligungen Inland, received according to the Merger exchange ratio, shares of GAMESA representing approximately 59% of the capital (401,874,595 shares), while GAMESA's remaining shareholders hold shares representing approximately the other 41% of the merged company.

The Merger exchange ratio for the shares of GAMESA and Siemens HoldCo, S.L., has been determined based on the fair value of their assets and liabilities, which in the case of Siemens HoldCo, S.L. are those held by the company upon completion of the carve-out process, and has been agreed between parties as one share of GAMESA, with a nominal value of EUR 0.17, for each share of Siemens Wind HoldCo, S.L.

The exchange ratio has been covered by newly-issued shares in GAMESA created as a consequence of a capital increase for a nominal amount of EUR 68,318,681.15 represented by 401,874,595 shares, each with a nominal value of EUR 0.17, in aggregate representing approximately 59% of the share capital in GAMESA upon effectiveness of the Merger. All the shares of Siemens Wind HoldCo, S.L. representing its entire share capital (i.e., 401,874,595 shares of EUR 0.17 par value each, amounting to a total of EUR 68,318,681.15) was part of the exchange.



The Merger exchange ratio has been determined under certain assumptions with regard to the level of working capital and net debt of the GAMESA Group and the Siemens Wind Power Business as at December 31, 2016. The deviation of the net debt and working capital of GAMESA Group and the Siemens Wind Power Business as at December 31, 2016 with respect to those assumptions has been offset, and the net deviation has been corrected by SIEMENS on the Merger Effective Date by extracting cash, for no consideration, out of Siemens Wind HoldCo, S.L. in amount of EUR 233,908 thousands, so that the exchange ratio agreed between the parties is not affected by the aforementioned deviation (the "Exchange Ratio Settlement"). For certain individual items in the calculation of the deviation, as agreed between the parties, the amounts have been fixed, and for the majority of the items the amounts are those as of December 31, 2016.

The Merger was registered with the Mercantile Register on April 3, 2017 ("Merger Effective Date"), and the accounting effects of the Merger have been considered from then on. As part of the Merger closing actions, GAMESA's Extraordinary General Shareholders' Meeting approved on October 25, 2016, an Extraordinary Merger dividend in a gross amount of EUR 3.75 per share.

The shares issued by GAMESA for the exchange entitled the Siemens Wind HoldCo, S.L. shareholders, as from the Merger Effective Date, to participate in the earnings of GAMESA under the same terms and conditions as the other shares of GAMESA in trading at that date. However, the Siemens Wind HoldCo, S.L. shareholders were not entitled to receive the Extraordinary Merger Dividend. In this regard, the Extraordinary Merger dividend was payable to a maximum of 279,268,787 shares and, consequently, amounts to a maximum of EUR 1,047,257,951.25 in aggregate. However, the gross amount of the Extraordinary Merger Dividend should be reduced by the ordinary dividend effectively paid by GAMESA to its shareholders pursuant to the distribution approved by the General Shareholders' Meeting of GAMESA held on June 22, 2016, on second call, in a gross maximum amount of EUR 0.1524 per share (reduction of the initial gross amount to EUR 999 million). No additional ordinary dividend had been effectively distributed by GAMESA to its shareholders before the Merger Effective Date.

#### ***C. ADWEN OFFSHORE, S.L. (hereinafter "ADWEN")***

On January 5, 2017 Areva Energies Renouvelables SAS (hereinafter "AREVA") sold to GAMESA its 50% stake in ADWEN's share capital, by exercising a put option granted to it on June 17, 2016. After this transaction GAMESA became the 100% owner of ADWEN's share capital.

Even though GAMESA owned 100% of ADWEN's share capital since January 5, 2017, the full consolidation of ADWEN occurred for the first time at the Merger Effective Date. This is due to the SIEMENS GAMESA Merger Agreement which prohibited GAMESA to carry out certain business actions without SIEMENS' approval. In the particular case of material decisions in ADWEN, such as the modification of contracts with specific clients, needed the approval from SIEMENS. Thus, GAMESA did not have control over ADWEN until the Merger Effective Date, even though being the sole shareholder of ADWEN.

#### ***D. REVERSE ACQUISITION***

For accounting purposes, the Merger qualifies as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer (legal acquiree) and GAMESA as accounting acquiree (legal acquirer). This is because the Siemens Wind Power HoldCo Shareholders, as a Group, receive the largest portion of the voting rights in the merged entity. Accordingly, the assets and liabilities of GAMESA and ADWEN are included in the Consolidated Financial Statements at their acquisition-date fair values.

Siemens Wind Power Business has applied the predecessor accounting method considering the carve-out process as a reorganisation among entities under common control. This means that the assets and liabilities of Siemens Wind Power Business are stated at the amounts historically disclosed in the SIEMENS Consolidated Financial Statements.

## **E. COMPOSITION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

As a result, the Consolidated Financial Statements reflect the following structure of SIEMENS GAMESA Group and of their initial measurement:

Prior Year	Current Year		
01.01.2016 – 12.31.2016	01.01.2017 – 04.02.2017	04.03.2017 – 09.30.2017	
Siemens Wind Power Business	Siemens Wind Power Business	Siemens Wind Power Business	GAMESA / ADWEN
Historical Cost (Predecessor Accounting)	Historical Cost (Predecessor Accounting)	Historical Cost (Predecessor Accounting)	Fair Value at acquisition date (IFRS 3), subsequent movement at historical cost

## **F. ENVIRONMENTAL INFORMATION**

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

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

### **A. BASIS OF PRESENTATION**

These Consolidated Financial Statements have been prepared in accordance with IFRS. They were authorised for issue for SIEMENS GAMESA's Board of Directors on November 30, 2017.

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

B.1) Standards and amendments published by the IASB (International Accounting Standards Board) and adopted by the European Union for its application in Europe from January 1, 2017:

There are no standards and amendments published by the International Accounting Standards Board (IASB) with an Effective Date from January 1, 2017, which have been already endorsed by the European Union.

The endorsement of "Amendment 12: Recognition of Deferred Tax Assets for Unrealised Losses", "Amendment to IAS 7: Disclosure Initiative" and "Annual Improvements to IFRS Standards 2014 – 2016 Cycle", all with an IASB Effective Date of January 1, 2017, is currently expected for the 4<sup>th</sup> quarter of 2017.

B.2) At the date of preparation of these Consolidated Financial Statements the following standards, amendments and interpretations whose effective data is subsequent to September 30, 2017 have been issued:

Standards, amendments and interpretations		IASB Effective Date
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customer	January 1, 2018
Clarifications to IFRS 15	Revenue from Contracts with Customer	January 1, 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018
IFRIC 22	IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021

SIEMENS GAMESA analyzed the expected impact resulting from the standards, amendments and interpretations mentioned above which have been published by the IASB, but are not yet effective. In addition to the more specified analysis below, the Group does not expect a significant impact on the Consolidated Financial Statements resulting from these changes.

#### *IFRS 15 Revenue from Contracts with Customer*

According to the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. SIEMENS GAMESA will adopt the standard for the year beginning as of October 1, 2017 using the full retrospective approach, i.e. the comparable period will be presented in accordance with IFRS 15.

The Group is currently analyzing the potential impacts that the application of IFRS 15 might have on its Consolidated Financial Statements. Based on this analysis, SIEMENS GAMESA identified so far especially the two following effects:

- The regulations of IFRS 15 are specific for the fact that for each contract only one contract asset or one contract liability can be presented. If this specific regulation had been applied as of September 30, 2017, contract liabilities (included in the line item "other current liabilities") and contract assets (included in the line item "inventories") would have decreased by EUR 217 million.
- Under IFRS 15, recognition of a provision for an onerous contract does not require an impairment of contract assets. As a result, a netting of contract assets according to IFRS 15 and a provision for an onerous contract according to the regulations for provisions (IAS 37) is not permitted. If this specific regulation of IFRS 15 had been applied already as of September 30, 2017, contract assets (included in the line item "inventories") would have increased by EUR 117 million together with an equivalent increase of provisions for onerous contracts.

The application of IFRS 15 will lead to further changes which as of now are not expected to have a material impact on the Consolidated Financial Statements of SIEMENS GAMESA. In particular no significant changes are expected in the following areas:

- A majority of sales of SIEMENS GAMESA are carried out through construction contracts. Based on analyses performed, the vast majority of construction-type contracts currently accounted for under the percentage-of-completion method is expected to fulfil the requirements for revenue recognition over time and will therefore not lead to a change in the timing of the revenue recognition.

- IFRS 15 introduces a new conceptual approach for determining the transaction price, which will be the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Based on analyses performed, it is currently not expected that significant changes will result from this new conceptual approach.

#### *IFRS 9 Financial Instruments*

IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. SIEMENS GAMESA will adopt IFRS 9 for the year beginning as of October 1, 2018 and is currently assessing the impacts of its adoption on the company's Consolidated Financial Statements.

#### *IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

SIEMENS GAMESA is currently assessing the impact of adopting IFRS 16 on the Group's Consolidated Financial Statements and will adopt the standard for the year beginning as of October 1, 2019.

### **C. FUNCTIONAL AND PRESENTATION CURRENCY**

These Consolidated Financial Statements are presented in euros, which is SIEMENS GAMESA's functional currency. All amounts have been rounded to the nearest thousands, unless otherwise indicated.

Transactions denominated in currencies other than the euro are recognised in accordance with the policies described in Note 4.M.

### **D. COMPARATIVE INFORMATION OF PRIOR PERIOD**

As required by IAS 1, the Consolidated Financial Statements are shown together with comparative information in respect of the prior period for all amounts reported in the current period's Financial Statements.

All references to the "year ended September 30, 2017" refer to the 9-months period ended on that date, whereas the references to year 2016 refers to the 12-months period.

Due to the reverse acquisition, described in Note 1.D, the comparative financial information reflects the Siemens Wind Power Business as the accounting acquirer. The financial information for the Siemens Wind Power Business was derived from the segment reporting for the Siemens Wind Power Division as applied for the preparation of SIEMENS' Consolidated Financial Information. The segment reporting included all operating assets, liabilities, revenues and expenses in the pre-existing legal entities, the legal entities created as part of the carve-out ("Siemens Wind Power NewCos") and the Siemens Wind Power Business in SIEMENS' regional companies that has not yet been carved-out. It does not include the items real estate, tax, treasury and pensions, which SIEMENS manages centrally to the extent that Siemens Wind Power related balances have not yet been transferred to pre-existing legal entities or Siemens Wind Power NewCos.

In order to reflect the assets and liabilities as of December 31, 2016 as well as the revenues and costs for the year then ended, that fall within the scope of the Merger, the assets, liabilities and related income and/or expenses that have been added to or excluded from the segment reporting of the Siemens Wind Power Division with the purpose of deriving the comparative financial information for the period are disclosed below.

The comparative financial information for the Siemens Wind Power Business excluded the following at-equity investments and financial assets, including their impact in the Statement of Profit and Loss, of the Siemens Wind Power Division that are not part of Siemens Wind Power Business Scope:

- Stake in Voith Hydro Holding GmbH & Co KG (Heidenheim, Germany)
- Stake in A2Sea A/S Frederica (Denmark)
- Stake in Gwynt Y Mor Offshore Wind Farm Ltd.
- Stake in Atlantis Resources Limited (UK)

The comparative financial information included owned real estate and related assets and liabilities as well as leasehold assets of the three pre-existing legal entities in Denmark, China and Morocco as well as of the Siemens Wind Power NewCos.

The comparative financial information included the net pension liability and related interest expense and service costs for active employees related to the Siemens Wind Power Business as far as the net pension liability has to be legally transferred.

Liabilities related to equity-based instruments and retention bonuses granted to Siemens Wind Power employees as well as the related impact in the Statement of Profit and Loss were excluded as SIEMENS will indemnify Siemens Wind Power from any impact (costs / expenses) resulting from existing equity instruments and retention payments.

Treasury and taxation activities relating to the pre-existing legal entities and to the Siemens Wind Power NewCos from their respective carve-out date on, as well as deferred taxes on consolidation adjustments were included. The comparative financial information did not include treasury activities and taxation activities relating to the Siemens Wind Power business within SIEMENS regional companies not yet carved-out at December 31, 2016, which also comprises assets and liabilities related to non-income tax balances (e.g. sales tax, wage tax and other similar taxes).

Trade receivables from or payables to SIEMENS Group have been eliminated with the exception of those recorded in pre-existing Siemens Wind Power legal entities (Denmark, China and Morocco) and the Siemens Wind Power NewCos. These balances were settled prior to or shortly after the Merger.

Any balances that remain in the regional companies after carve-out of the Siemens Wind Power activities ("excluded assets and liabilities") to the extent not already covered by the above adjustments are excluded from the comparative financial information.

SIEMENS did not transfer its Siemens Wind Power Business in the regional companies to the Siemens Wind Power NewCos for a negative purchase price or, in case of local demergers or transfers at book value, at negative net asset value. In these situations Siemens injects additional cash into the Siemens Wind Power NewCos. This cash is considered in the comparative financial information.

## **E. BASIS OF CONSOLIDATION**

### Subsidiaries

The Consolidated Financial Statements include the Financial Statements of SIEMENS GAMESA and its subsidiaries. Subsidiaries are all entities (including structured entities), which are controlled by SIEMENS GAMESA. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are out of the scope from the date that control ceases.

#### Associated companies

Associates are companies over which SIEMENS GAMESA has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20% to 50% of the voting rights). These are recorded in the Consolidated Financial Statements using the equity method and are initially recognised at cost. SIEMENS GAMESA's share of its associate's post-acquisition profits or losses is recognised in the Consolidated Statement of Profit and Loss, and its share of post-acquisition changes in equity that have not been recognised in the associate's profit or loss is recognised directly in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate (Notes 2.F and 12).

Significant influence is deemed not to exist in specific case where, although SIEMENS GAMESA holds more than 20% of the shares, the absence of significant influence can be clearly demonstrated. Significant influence is deemed to exist when the SIEMENS GAMESA Group has the power to influence on the financial and operating policies of an investee.

#### Joint ventures

Joint ventures are entities over which SIEMENS GAMESA and one or more parties have joint control. Joint control requires unanimous consent of the parties sharing control in decision making on relevant activities. The Group records its stakes in joint ventures with the equity method.

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

#### Business combinations

The cost of an acquisition is measured at the fair value of the assets acquired and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are initially measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). If there is no loss of control, transactions with non-controlling interests are accounted for as equity transactions not affecting Profit and Loss. At the date control is lost, any retained equity interests are remeasured to fair value. In case of a written put option on non-controlling interests the Company assesses whether the prerequisites for the transfer of present ownership interest are fulfilled at the balance sheet date. If the Company is not the beneficial owner of the shares underlying the put option, the exercise of the put option will be assumed at each balance sheet date and treated as equity transaction between shareholders with the recognition of a purchase liability at the respective exercise price. The non-controlling interests participate in profits and losses during the reporting period.

#### Foreign currency translation

Assets and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the spot exchange rate at the end of the reporting period, while the Consolidated Statement of Profit and Loss are translated using average exchange rates during the period. Differences arising from such translations are recognised within equity and reclassified to net income when the gain or loss on disposal of the foreign subsidiary is recognised.

### **F. CHANGES IN THE SCOPE OF CONSOLIDATION**

In line with the SIEMENS GAMESA Merger, further described under 1.B, 240 fully consolidated companies and 10 companies consolidated at equity were added to the scope of consolidation as of April 3, 2017. A list of legal entities included in line with the Merger is disclosed in the Appendix of these Consolidated Financial Statements.

In addition, the following entities have been constituted or acquired during the year:

Company constituted / acquired	Holding company of the stake	Percentage of stake of the Group
Poovani Wind Farms Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Devarabanda Renewable Energy Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Gagodar Renewable Energy Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Ghatpimpri Renewable Pvt. Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Kod Renewable Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Viralipatti Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Tirupur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Thoothukudi Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Sankanur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Rangareddy Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Pugalur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Osmanabad Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Nellore Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Kutch Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Koppal Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Jodhpur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Jalore Wind Park Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Gadag Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Dhone Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Channapura Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bidwal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Beed Renewable Energy Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Latur Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Sanchoe Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Tuljapur Wind Farms Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Mathak Wind Farms Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bhuj Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bapuram Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Uppal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Gudadanal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Haveri Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Nirlooti Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Neelagund Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Hungund Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Saunshi Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Chikkodi Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Umrani Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Zalki Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Hattarwat Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
International Wind Farm Development I Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development II Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development IV Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development V Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development VII Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
Siemens Gamesa Renewable Energy Installation & Maintenance, Compañía Limitada	Siemens Gamesa Renewable Energy Latam, S.L. / Siemens Gamesa Renewable Energy Innovation & Technology, S.L.	100%
Gesa Oax I Sociedad Anónima de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Gesa Oax III Sociedad Anónima de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable	Gesa Energía S de RL de CV / Central Eólica de México I, SA de CV	100%
Siemens Gamesa Renewable Energy LLC	Siemens Gamesa Renewable Energy APAC, S.L.	100%
Gamesa Pakistan (Private) Limited	Siemens Gamesa Renewable Energy APAC, S.L.	100%



In addition, the following entities have been dissolved during the period:

Company dissolved	Holding company of the stake	Percentage of stake of the Group
Mahantango Wind, LLC	Gamesa Wind US LLC	100%
Crescent Ridge 2, LLC	Gamesa Wind US LLC	100%
Muskegon Wind, LLC	Gamesa Wind US LLC	100%
Baileyville Wind Farm, LLC	Navitas Energy Inc.	100%
Gamesa Trading Tianjin Co., Ltd.	Gamesa Wind Tianjing Co., Ltd.	100%

No additional entities left the scope of consolidation during the period due to sales or winding up of companies.

Finally, during the year 2017 the name of the following companies has been modified:

Previous Denomination	New Denomination
Siemens Wind Power A/S	Siemens Gamesa Renewable Energy A/S
Siemens Wind Power Pty Ltd	Siemens Gamesa Renewable Pty Ltd
Siemens Wind Power S.A.S.	Siemens Gamesa Renewable Energy S.A.S.
Gamesa Financiación, S.A.	Siemens Gamesa Renewable Finance, S.A.
Gamesa Eólica, S.L. Unipersonal	Siemens Gamesa Renewable Energy Eólica, S.L.
Gamesa Europa, S.L.U.	Siemens Gamesa Renewable Energy Europa S.L.
Gamesa Energía, S.A. Unipersonal	Siemens Gamesa Renewable Energy Wind Farms, S.A.
Gamesa Wind UK Limited	Siemens Gamesa Renewable Energy Wind Limited
9Ren España S.L.	Siemens Gamesa Renewable Energy 9REN, S.L.
Gamesa Inversiones Energéticas Renovables, S.A.	Siemens Gamesa Renewable Energy Invest, S.A.
Gamesa Renewable Pvt Ltd, Chennai	Siemens Gamesa Renewable Power Private Limited
Gamesa Latam S.L.	Siemens Gamesa Renewable Energy Latam, S.L.
Gamesa Apac S.L.U.	Siemens Gamesa Renewable Energy Apac, S.L.
International Wind Farm Services, S.A.U.	Siemens Gamesa Renewable Energy International Wind Services, S.A.U.
Gamesa Energy UK Limited	Siemens Gamesa Renewable Energy UK Limited
Gamesa Energiaki Hellas S.A.	Siemens Gamesa Renewable Energy AE
Gamesa Energie France SAS	Siemens Gamesa Renewable Energy France SAS
Gamesa Innovation & Technology, S.L.U.	Siemens Gamesa Renewable Energy Innovation & Technology, S.L.
Gamesa Eólica Brasil, Ltda.	Siemens Gamesa Energia Renovável Ltda.
B9 Energy O&M Limited	Siemens Gamesa Renewable Energy B9 Limited
Gamesa Azerbaijan Limited Liability Company	Siemens Gamesa Renewable Energy Limited Liability Company
Gamesa Wind Hungary Wind Turbine Services Kft	Siemens Gamesa Megújuló Energia Hungary Kft
Gamesa Eólica Italia S.R.L.	Siemens Gamesa Renewable Energy Wind S.R.L.
Gamesa New Zealand Limited	Siemens Gamesa Renewable Energy New Zealand Limited
Gamesa Kenya Limited	Siemens Gamesa Renewable Energy Limited
Gamesa Finland Oy	Siemens Gamesa Renewable Energy Oy
Gamesa Belgium, SPRL	Siemens Gamesa Renewable Energy Belgium, SPRL
Gamesa Energía Italia S.P.A.	Siemens Gamesa Renewable Energy Italy, S.P.A.
Gamesa Lanka Pvt. Ltd.	Siemens Gamesa Renewable Energy Lanka Pvt. Ltd.
Gamesa Eólica Greece, E.P.E. (LLC)	Siemens Gamesa Renewable Energy Greece E.P.E.
Gamesa Mauritania, SARL	Siemens Gamesa Renewable Energy, SARL
Gamesa Cyprus Ltd.	Siemens Gamesa Renewable Energy Limited
Siemens Wind Power AS	Siemens Gamesa Renewable Energy AS
Gamesa Rüzgar Enerjisi Servis Limited Sirketi	Siemens Gamesa Turkey Renewable Energy Limited Company
Gamesa (Mauritius), Limited	Siemens Gamesa Renewable Energy, Ltd
Jodhpur Renewable Pvt. Ltd, Chennai	Jodhpur Wind Farms Private Limited, Chennai
Siemens Wind Power d.o.o.	Siemens Gamesa Renewable Energy Limited

### **3. Acquisitions, dispositions and discontinued operations**

As described in Note 1.D, the Merger qualifies for accounting purposes as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer and GAMESA as accounting acquiree. SIEMENS acquired 59% of GAMESA in exchange for 41% of its Wind Power Business and an extraordinary Merger dividend of EUR 998.7 million. As SIEMENS and GAMESA only exchange equity interests, the market share price of GAMESA at the Merger Effective Date is the best indicator of the consideration paid for the assets and liabilities of GAMESA, which has been EUR 22.345 per share (relevant share price as of April 3, 2017). Accordingly, the consideration transferred amounts to EUR 6,203 million.

The assets and liabilities of GAMESA as accounting acquiree including the assets and liabilities of ADWEN are included in the Consolidated Financial Statements at their acquisition-date fair values. The following figures result from the preliminary Purchase Price Allocation as of the acquisition date: Other intangible assets EUR 2,533 million, Property, plant and equipment EUR 628 million, Trade and other receivables EUR 1,073 million, Inventories EUR 1,116 million, Other financial assets EUR 413 million (current and non-current), Cash and cash equivalents EUR 1,003 million, Other current assets EUR 206 million, Current income tax assets EUR 179 million, Deferred tax assets EUR 432 million, Debt including outstanding financial debt settled EUR 1,019 million (short term and long term), Trade payables EUR 1,745 million, Other current liabilities EUR 662 million, Other financial liabilities EUR 286 million (current and non-current), Provisions EUR 1,227 million (current and non-current), Current income tax liabilities EUR 118 million and Deferred tax liabilities EUR 824 million. Intangible assets mainly relate to technology of EUR 1,147 million, customer relationships of EUR 958 million and order backlog of EUR 429 million.

Preliminary goodwill amounts to EUR 4,438 million and comprises intangible assets that are not separable such as employee know-how and expected synergy effects. The preliminary goodwill has been provisionally allocated to business units (Note 9) as the analysis of the synergies resulting from the transaction is still ongoing.

The acquired business contributed revenues of EUR 1,659 million and a negative net income of EUR 209 million (including Purchase Price Allocation charges) to SIEMENS GAMESA for the period from the acquisition date to September 30, 2017. The revenue and profit of the combined entity for the current reporting period as though the acquisition date had been as of the beginning of the annual reporting period (January 1, 2017) amounts to EUR 8,200 million and EUR 35 million (including Purchase Price Allocation charges).

The account "Acquisition of businesses net of cash acquired" in the Consolidated Statement of Cash Flows includes the extraordinary Merger dividend amounting to EUR 998.7 million net of the cash of the former GAMESA Group at the date of acquisition.

Transaction cost of EUR 20 million was expensed and is included in administrative expenses.

The accounting for this business combination has been determined provisionally as of the date of preparation of these Consolidated Financial Statements, due to the fact that the valuation of the acquired assets and liabilities has not yet been completed and neither has the 12 month period since the acquisition of GAMESA, as established by IFRS 3 "Business Combinations".

### **4. Accounting principles and policies and measurement methods applied**

#### ***A. REVENUE RECOGNITION***

Under the condition that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is probable that the economic benefits will flow to SIEMENS GAMESA and revenues can be reliably measured, regardless of when the payment will take place. In cases where the in-flow of economic benefits is not probable due to customer related credit risks, the revenue recognised is subject to the amount of irrevocable payments received.

### Sales from construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. When the outcome of a construction contract can be reliably estimated, revenues from construction-type projects are generally recognised under the percentage-of-completion method, based on the percentage of costs to date compared to the total estimated contract costs, contractual milestones or performance. An expected loss on the construction contract is recognised as an expense immediately. When the outcome of a construction contract cannot be reliably estimated (1) revenue is recognised only to the extent it is probable that incurred contract costs are recoverable, and (2) contract costs are recognised as an expense in the period in which they are incurred.

In the case that separate legal entities are set-up for the development and sale of wind farms, the non-current assets (basically wind turbines, fixtures and civil engineering work) of the wind farms adopting the legal structure of a public or private limited liability company whose shares are fully consolidated in the accompanying Consolidated Financial Statements (see Appendix), are classified as inventories and are measured in the same way as other inventories and are included in the percentage-of-completion calculations in the Consolidated Financial Statements when the requirements therefore are fulfilled.

SIEMENS GAMESA Group recognises for construction contracts in progress the costs and earnings in excess of billings under inventories (Note 15) and the progress billings in excess of costs and recognised profits (less recognised losses) under other current liabilities (Note 28) in the Consolidated Financial Statements.

Advances paid to suppliers are also included within inventories.

Other current liabilities mainly comprise billings in excess of costs and estimated earnings on uncompleted contracts and related advances, as well as advance payments received.

### **B. FUNCTIONAL COSTS**

In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Amortization, depreciation and impairment of intangible assets and property, plant and equipment are included in functional costs depending on the use of the assets.

### **C. RESEARCH AND DEVELOPMENT COSTS**

Costs of research activities are expensed as incurred. Costs of development activities are capitalized when the recognition criteria in IAS 38 are met. Capitalized development costs are stated at cost less accumulated amortization and impairment losses.

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

### **D. GOVERNMENT GRANTS**

Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly.

Government grants for future expenses are recorded as deferred income and allocated to income under "Other operating income" caption in the year in which the related expenses are incurred. In this connection, government grants included in "Other operating income" in the Consolidated Financial Statements amount to EUR 3.5 million.

## **E. GOODWILL**

Goodwill arising on acquisitions represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, joint operation, joint venture or associate at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

## **F. OTHER INTANGIBLE ASSETS**

Other intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses. Other intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values. Intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized, but instead tested for impairment at least annually.

Other intangible assets consist of software, patents, licenses and similar rights. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to ten years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships, order backlog and technology.

## **G. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is valued at acquisition cost less any accumulated depreciation and any recognised impairment losses. In addition to the purchase price, acquisition costs include non-recoverable indirect taxes and any other costs directly attributable to bringing the asset to the location and condition necessary for its intended use (including borrowing costs incurred during the construction period).

Subsequent costs, e.g. in connection with the expansion, modernisation or improvement of an asset, are recognised in the carrying amount of the concern asset when it is probable that the costs incurred result in future economic benefits to SIEMENS GAMESA. All other costs incurred for ordinary repairs and maintenance are recognised in the Statement of Profit and Loss as incurred.

Depreciation expense is recognised using the straight-line method. The following useful lives are assumed:

	Average estimated useful life
Factory and office buildings	20 – 50
Other buildings	5 – 10
Technical machinery & equipment	5 – 10
Other property, plant and equipment	3 – 10

Assets under construction are not depreciated.

## **H. IMPAIRMENT OF ASSET**

Property, plant and equipment and other intangible assets are reviewed for impairment at the cash generating unit level whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test.

## **I. INVENTORIES**

Inventories are valued at the lower of acquisition or production costs and net realizable value, and the costs are generally determined on the basis of an average or first-in, first-out method. In determining the net realizable value of inventories, write-downs based on expected inventory usefulness or marketability are taken into account. The criteria for inventory usefulness or marketability cover quantity, technical and price risks.

## **J. FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Based on their nature, financial instruments are classified as financial assets, financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value. Regular way purchases or sales of financial assets are accounted for at the trade date. Initially, financial instruments are recognised at their fair value. Transaction costs are only included in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned:

- cash and cash equivalents;
- available-for-sale financial assets;
- loans and receivables;
- financial liabilities measured at amortized cost; and
- financial assets and liabilities classified as held for trading.

### Cash and Cash Equivalents

SIEMENS GAMESA Group considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost (Note 17).

### Available-for-sale financial assets

Investments in equity instruments, debt instruments and fund shares are measured at fair value, if reliably measurable. Unrealized gains and losses, net of applicable deferred income tax expenses, are recognised under line item "Other components of equity". Provided that fair value cannot be reliably determined, SIEMENS GAMESA measures available-for-sale financial assets at cost. This applies to equity instruments that do not have a quoted market price in an active market, and for which decisive parameters cannot be reliably estimated in order to be used in valuation models for the determination of fair value. Due to the latter, all the available-for-sale financial assets of SIEMENS GAMESA Group are measured at cost as of September 30, 2017 (Note 14).

### Loans and receivables

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts.

### Financial Liabilities

SIEMENS GAMESA Group measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

- Bank Borrowings:

Loans, bonds and similar interest-bearing items are initially recognised at the amount received, net of direct issuance costs, under the "Debt" line item of the Consolidated Balance Sheet. Borrowing costs are recognised on an accrual basis in the Consolidated Statement of Profit and Loss using the effective interest method and they are aggregated to the carrying amount of the financial instrument to the extent that they are not settled in the year in which they arise. Also, obligations under finance leases are recognised at the present value of the lease payments under this Consolidated Balance Sheet line item (Note 21).

- Trade Payables:

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

### Derivative Financial Instruments and hedge accounting

Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognised either in net income or, in the case of a cash flow hedge, under line item "Other comprehensive income, net of income taxes". Certain derivative instruments embedded in host contracts are also accounted for separately as derivatives.

- Fair value hedges:

The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. Where an unrecognised firm commitment is designated as hedged item, the subsequent cumulative change in its fair value is recognised as a separate financial asset or liability with corresponding gain or loss recognised in net income. For hedged items carried at amortized cost, the adjustment is amortized until maturity of the hedged item. For hedged firm commitments the initial carrying amount of the assets or liabilities that result from meeting the firm commitments are adjusted to include the cumulative changes in the fair value that were previously recognised as separate financial assets or liabilities.

- Cash flow hedges:

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised under line item "Other comprehensive income, net of income taxes", and any ineffective portion is recognised immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

### Category of financial assets at fair value

The analysis of the financial instruments which at September 30, 2017 and December 31, 2016 were measured at fair value subsequent to their initial recognition is provided as follows. Depending on the extent the inputs used to measure fair values rely on observable market data, fair value measurements may be hierarchised according to the following categories of input:

- Category 1: the fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.
- Category 2: the fair value is determined using observable market inputs other than the quoted prices included in category 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices).
- Category 3: the fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable in the market.

Thousands of euros	Fair value at September 30, 2017			Total
	Category 1	Category 2	Category 3	
<b>Non-current Financial Assets</b>				
Derivative financial instruments (Note 22)	-	80,172	-	80,172
<b>Current Financial Assets</b>				
Derivative financial instruments (Note 22)	-	78,677	-	78,677
<b>Non-current Liabilities</b>				
Derivative financial instruments (Note 22)	-	(15,297)	-	(15,297)
<b>Current Liabilities</b>				
Derivative financial instruments (Note 22)	-	(82,913)	-	(82,913)
<b>Total</b>	-	<b>60,639</b>	-	<b>60,639</b>

Thousands of euros	Fair value at December 31, 2016			Total
	Category 1	Category 2	Category 3	
<b>Non-current Financial Assets</b>				
Derivative financial instruments (Note 22)	-	69,253	-	69,253
<b>Current Financial Assets</b>				
Derivative financial instruments (Note 22)	-	56,726	-	56,726
<b>Non-current Liabilities</b>				
Derivative financial instruments (Note 22)	-	(37,527)	-	(37,527)
<b>Current Liabilities</b>				
Derivative financial instruments (Note 22)	-	(62,449)	-	(62,449)
<b>Total</b>	<b>-</b>	<b>26,003</b>	<b>-</b>	<b>26,003</b>

Derivative financial instruments consist of forward exchange rate contracts, interest rate swaps and raw material swaps (electricity):

- Interest rate swaps:

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.

- Forward exchange rate contracts:

The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

- Raw material swaps (electricity)

Raw material swaps are measured at fair value using the prices and interests from observable yield curves.

The fair value of raw material swap contracts is calculated by discounting the estimated cash flows using the future prices at the closing date.

The effects of discounting have not been significant for category 2 financial instruments.

There have been no transfers in between the fair value levels during the year ended September 30, 2017.

#### Impairment of financial assets

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

SIEMENS GAMESA considers that a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.



For other financial assets, SIEMENS GAMESA considers the following observations as objective indicators of impairment:

- significant financial difficulty of the issuer or obligor;
- default or delay in interest or principal settlements; or
- probability of the borrower entering bankruptcy or financial reorganisation.

#### Derecognition of financial instruments

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

In cases where risks and rewards associated with accounts receivable are contractually transferred to a factor and the factor also assumes the related insolvency risk, the Group derecognises these financial assets. The balance of unmatured receivables assigned to non-recourse factoring transactions as of September 30, 2017, amounted to EUR 288 million (EUR 0 as of December 31, 2016). The average amount of factored receivables during the year ended September 30, 2017 was EUR 229 million (EUR 9 million in 2016).

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or of a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

#### **K. LEASES**

SIEMENS GAMESA classifies leases as finance leases whenever all the risks and rewards incidental to ownership are substantially transferred to the lessee. All other leases are classified as operating leases.

Finance leases are recognised at the commencement date of the lease as assets and liabilities in the Consolidated Financial Statements at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each of those determined at the inception of the leases. The leased assets are depreciated in a similar manner as those assets owned by SIEMENS GAMESA.

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

#### **L. SEGMENT REPORTING**

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

#### **M. TRANSACTIONS IN FOREIGN CURRENCY**

##### Group companies

The functional currency of a significant part of the companies of SIEMENS GAMESA is the euro.

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

### Transactions and balances

Transactions that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognised. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are re-valued to the functional currency applying the spot exchange rate prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate at the date of the transaction.

Also, foreign currency fixed-income securities, receivables and payables are translated to the functional currency at the exchange rates prevailing at the Consolidated Balance Sheet date.

Exchange differences arising on a monetary item that is part of the net investment in a company's foreign operation is recognised in Profit and Loss in the separate Financial Statements for the reporting company, or in the Individual Financial Statements for the foreign operation, as appropriate. In the Consolidated Financial Statements that include the foreign operation and the reporting company, those exchange differences are initially recognised in other comprehensive income and are reclassified from equity to profit or loss when the foreign business is disposed or the investment is recovered fully or partially by other means.

The hedge instruments that SIEMENS GAMESA uses to reduce foreign currency risks are described in Note 22.

The detail of the equivalent euro value of the monetary assets and liabilities denominated in currencies other than the euro held by SIEMENS GAMESA as of September 30, 2017 and December 31, 2016 is as follows:

Currency	Equivalent value in thousands of euros			
	09.30.2017		12.31.2016	
	Assets	Liabilities	Assets	Liabilities
Indian Rupee	164,228	472,294	-	-
US Dollar	562,066	369,421	43,638	105,117
Chinese Yuan	184,679	136,135	27,511	18,661
Mexican Peso	32,214	49,271	-	-
Danish Krone	124,186	227,137	20,906	448,697
Canadian Dollar	44,915	22,536	61,294	12,532
Sterling Pound	122,299	64,064	55,761	34,068
Moroccan Dirham	12,916	20,045	13,108	4,014
Swedish Krona	13,899	9,090	13,258	1,211
Australian Dollar	26,947	8,325	37,454	7,173
Turkish Lira	7,047	527	15,155	9,572
Brazilian Real	146,522	45,653	2,017	974
Norwegian Krone	21,782	3,371	7,593	143
South African Rand	20,438	4,549	752	6,805
Croatian Kuna	35,701	7,271	974	228
Egyptian Pound	12,854	4,684	40	3
Other currencies	45,401	45,741	6,501	4,926
<b>Total</b>	<b>1,578,094</b>	<b>1,490,114</b>	<b>305,962</b>	<b>654,124</b>

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

Nature of the Balances	Equivalent value in thousands of euros			
	09.30.2017		12.31.2016	
	Assets	Liabilities	Assets	Liabilities
Trade receivables (Note 16)	668,476	-	273,187	-
Cash and other equivalent liquid assets (Note 17)	909,618	-	32,775	-
Payables	-	1,247,776	-	652,297
Bank borrowings (Note 21)	-	242,338	-	1,827
<b>Total</b>	<b>1,578,094</b>	<b>1,490,114</b>	<b>305,962</b>	<b>654,124</b>

## **N. CLASSIFICATION OF CURRENT AND NON-CURRENT LIABILITIES**

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

Long term loans and credit facilities assigned to wind farms, which are legally structured in individual public or private limited liability companies, are classified as current or non-current depending on the foreseeable and expected sale date of these wind farms, because the sale of the shares in these individual companies leads to an exclusion of all assets and liabilities of the wind farm from the scope of consolidation.

Accordingly, regardless of the repayment schedule contractually established for these borrowings, the total amount of borrowings assigned to the wind farms that will foreseeably be sold within twelve months from the reporting date of the Consolidated Financial Statements is classified under current liabilities.

## **O. INCOME TAX**

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

Also, since 2010 the subsidiaries located in the Autonomous Community of Navarre Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal), Siemens Gamesa Renewable Energy Innovation & Technology, S.L. Unipersonal (former Gamesa Innovation and Technology, S.L. Unipersonal) and Estructuras Metálicas Singulares, S.A. Unipersonal have filed consolidated tax returns pursuant to Navarre Corporation Tax Regulation 24/1996, of December 30. Three more companies were incorporated to this Group in 2016, Siemens Gamesa Renewable Energy Latam, S.L. (former Gamesa Latam, S.L.), Siemens Gamesa Renewable Energy Apac, S.L.U. (former Gamesa Apac, S.L.U.) and Sistemas Energéticos El Valle, S.L.

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

Since 2005, Siemens Gamesa Renewable Energy A/S (former Siemens Wind Power A/S) is part of the mandatory Danish national joint taxation Group, with Siemens A/S nominated as the administration company.

Other foreign companies and the rest of the Spanish companies that are not taxed under a Tax Consolidation Regime are taxed in accordance with the legislation in force in their respective jurisdictions.

Under the liability method, deferred tax assets and liabilities are recognised for future tax consequences attributable to differences between the Financial Consolidated Statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and available tax planning opportunities. The recoverability of deferred tax assets is evaluated, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, it is assessed whether it is probable that SIEMENS GAMESA will realize the benefits of these deductible differences (Notes 26 and 27).

SIEMENS GAMESA recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, except to extent where the timing of the reversal of the temporary difference is controlled by SIEMENS GAMESA and it is probable that the temporary difference will not reverse in the foreseeable future.

## **P. PARENT COMPANY TREASURY SHARES**

The treasury shares held by SIEMENS GAMESA as the Parent company of SIEMENS GAMESA Group as of September 30, 2017 are recognised at acquisition cost with a charge to "Equity - Treasury Shares at cost" in the Consolidated Balance Sheet (Note 19.E).

The gains and losses on the purchase, sale, issue or cancellation of treasury share is recognised directly in equity.

#### **Q. PROVISIONS**

A distinction is drawn between:

- **Provision:** a present obligation (legal or constructive) as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.
- **Contingent liability:** a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the entity; or possible obligations, whose occurrence is unlikely or whose amount cannot be reliably estimated.

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

Provisions are recognised based on the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are fully or partially reversed when the relevant obligations cease to exist or are reduced.

Provisions are recognised when the obligation arises, with a charge to the relevant heading in the Consolidated Statement of Profit and Loss based on the nature of the obligation. Provisions are recognised at the present value of the expected expenditure, when the effect of the time value of money is material.

Provisions for warranty costs are recognised at the time when the significant risks and rewards of a product are transferred to the customer. The provisions are recognised on an individual basis at the best estimate of the expenditure required by SIEMENS GAMESA to settle the underlying obligation (Note 23). In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions.

Expected losses from onerous contracts are recognised when the current estimate of total contract costs exceeds contract revenue (Note 23).

Non-current provisions are discounted to the balance sheet date to reflect the present value of the provision.

#### **Legal proceedings and/or claims in progress**

As of September 30, 2017 certain litigation and claims were in progress against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisors and its Directors consider that the provisions recognised for this purpose are sufficient and that the outcome of these proceedings and claims will not have an additional material effect on the Consolidated Financial Statements for the years in which they would be settled (Note 23).

As of September 30, 2017 and December 31, 2016 there were no significant contingent liabilities or provisions that had not been recognised or disclosed in these Consolidated Financial Statements.

#### **R. TERMINATION BENEFITS**

Termination benefits are recognised in the period they are incurred, and when the amount can be reasonably estimated. Termination benefits arise as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date, or from an entity's decision to terminate the employment contract. Termination benefits in accordance with IAS 19, Employee Benefits, are recognised as a liability when the entity can no longer withdraw the offer of those benefits.

## **S. POST-EMPLOYMENT BENEFITS**

SIEMENS GAMESA measures the entitlements to post-employment benefits by applying the projected unit credit method. This approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the year will be based on the discount rate for the respective year multiplied by the net liability at the preceding year's period-end date.

Service cost and past service cost for post-employment benefits and administration costs unrelated to the management of plan assets are allocated among functional costs. Past service cost and settlement gains (losses) are recognised immediately in Profit or Loss. For unfunded plans, the amount of line item "Post-employment benefits" equals the DBO. For funded plans, SIEMENS GAMESA offsets the fair value of the plan assets with the DBO. SIEMENS GAMESA recognises the net amount, after adjustments for effects relating to any asset ceiling.

Remeasurements comprise actuarial gains and losses as well as the difference between the return on plan assets and the amounts included in net interest on the net defined benefit liability (asset). They are recognised in "Other comprehensive income", net of income taxes.

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rate of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing market, economic and social conditions the underlying key assumptions may differ from actual developments.

## **T. SHARE-BASED PAYMENT**

Equity-settled share-based payments are measured at the fair value of the equity instruments granted. This fair value is expensed on a straight-line basis over the vesting period, based on SIEMENS GAMESA's estimate of the shares that will ultimately be delivered and credited to equity (Note 19.E).

Fair value is measured using the market prices available on the measurement date, taking into account the terms and conditions upon which those equity instruments were granted.

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), SIEMENS GAMESA accounts for the cancellation or settlement as an acceleration of vesting and therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

For cash-settled share-based payments, a liability equal to their current fair value determined at the end of each reporting period is recognised.

## **U. CONSOLIDATED STATEMENT OF CASH FLOW**

SIEMENS GAMESA Group presents the Consolidated Statement of Cash Flow using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

The following terms are used in the Consolidated Statement of Cash Flows with the meanings as specified below:

- Cash flows: Inflows and outflows of cash and cash equivalents.
- Cash equivalents: Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- Operating activities: The main revenue-producing activities of SIEMENS GAMESA and other activities that are not related to investing or financing activities.
- Investing activities: The acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of the contributed equity and borrowings.

#### **V. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit or loss for the reporting period by the weighted average number of ordinary shares outstanding during the reporting period.

In the situation of the reverse acquisition as a result of the SIEMENS GAMESA Merger (Note 1.B and Note 1.D), the equity structure in the Consolidated Financial Statements reflects the equity structure of the legal acquirer (the accounting acquiree), including the equity interests issued by the legal acquirer to effect the business combination.

In calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) for the year ended September 30, 2017:

- a) The number of ordinary shares outstanding from the beginning of year 2017 until the Merger Effective Date has been computed on the basis of the weighted average number of ordinary shares of Siemens Wind Power Business (accounting acquirer) outstanding during that period, calculated as the number of ordinary shares outstanding at the Merger Effective Date multiplied by the Merger exchange ratio; and
- b) The number of ordinary shares outstanding from the Merger Effective Date until September 30, 2017 is the actual number of ordinary shares of SIEMENS GAMESA outstanding during that period.

Diluted earnings per share are calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. For such purposes, dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the reporting period or, if later, the date of the issue of the potential ordinary shares.

Basic earnings per share in the year ended September 30, 2017 and December 31, 2016 coincided with diluted earnings per share, since there were no potential shares outstanding in those periods (Note 34).

#### **W. DIVIDENDS**

Any interim dividends approved by the Board of Directors are deducted from "Equity" in the Consolidated Balance Sheet. However, the final dividends proposed by the Board of Directors of SIEMENS GAMESA to the shareholders at the General Meeting are not deducted from equity until they have been approved by the latter.

During the year ended September 30, 2017 (as well as during the year 2016) no interim dividend has been distributed.

## **X. INTEREST COST**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## **5. Financial Risk Management**

By the nature of its activities, SIEMENS GAMESA Group is exposed to a variety of financial risks: (i) market risks, in particular foreign exchange and interest rate risk, (ii) liquidity risk, and (iii) credit risk. The aim of the Financial Risk Management is to identify, measure, monitor and mitigate those risks and their potential adverse effects on the Group's operational and financial performance. The general conditions for compliance with the Group's Financial Risk Management process are set out through policies approved by the Executive Management. The identification, evaluation and hedging of financial risks lies in the responsibility of each business unit.

### **A. MARKET RISK**

#### *a. Foreign Exchange Risk*

SIEMENS GAMESA conducts transactions with international counterparties in the ordinary course of its business, leading to revenue and income generation in currencies different from euro, and to future cash flow generated in SIEMENS GAMESA entities that are denominated in a currency other than their functional currencies, and is therefore exposed to risks from changes in foreign currency exchange rates.

Foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the local markets where the business is being conducted, as well as by locating the production activities and other contributions along the value chain in those local markets. Furthermore, to the extent possible, exchange rates are fixed by currency clauses integrated into third party contracts to avoid the consequences from unfavourable foreign currency developments.

In the cases where the measures described above are not possible, SIEMENS GAMESA uses financial instruments to hedge the remaining risk exposure, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations (Note 22). For this purpose, the Group analyzes the foreign currency exposure of its confirmed order book as well as of the planned and highly probable foreign currency transactions. In addition, risk exposure limits are established and updated each year aimed at managing the remaining risk levels, and could be updated under a time period of less than one year in case that the Group needs to adapt quickly to changing market trends.

Due to the international set-up of the Group, cash flows are generated in numerous different currencies. The majority of foreign currency transactions are denominated in US Dollar, Canadian Dollar, Danish Krone, Chinese Yuan, Indian Rupee, Brazilian Real and Mexican Peso. According to the general Foreign Exchange risk management framework of SIEMENS GAMESA, transaction foreign currency risk has to be hedged within a band of at least 75% up to a maximum of 100%. The financial instruments utilized to hedge against this risk are primarily foreign currency exchange forward contracts and foreign currency swaps (Note 22).



The following table shows the translation impact due to the presence of the Group in different countries, on Profit and Loss and Equity as a result of changes in exchange rates as of September 30, 2017 and December 31, 2016 for the Group's most significant currencies, by simulating a 5% devaluation and appreciation of the euro against the respective currency:

Thousands of euros		Debit / (Credit) (*)			
Currency	Exchange rate at 09.30.2017	Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
US Dollar	1.1806	(200)	(25,693)	200	25,693
Canadian Dollar	1.4687	(532)	(2,198)	532	2,198
Danish Krone	7.4423	(4,595)	(17,078)	4,595	17,078
Chinese Yuan	7.8534	(862)	(9,345)	862	9,345
Indian Rupee	77.0690	2,350	(17,943)	(2,350)	17,943
Brazilian Real	3.7635	(1,408)	(6,489)	1,408	6,489
Mexican Peso	21.4614	39	(2,817)	(39)	2,817

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

Thousands of euros		Debit / (Credit) (*)			
Currency	Exchange rate at 12.31.2016	Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
US Dollar	1.0541	(6,491)	6,603	6,491	(6,603)
Canadian Dollar	1.4188	(585)	(1,135)	585	1,135
Danish Krone	7.4344	(5,194)	(5,128)	5,194	5,128
Chinese Yuan	7.3202	(295)	(1,938)	295	1,938
Indian Rupee	71.5935	(9)	43	9	(43)
Brazilian Real	3.4305	(100)	200	100	(200)
Mexican Peso	21.7719	3	(1)	(3)	1

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

#### *b. Market Price Risk*

SIEMENS GAMESA is exposed to risks relating to fluctuations in the prices of the commodities used in the supply chain. These risks are mainly managed in the procurement process. Only in few cases, SIEMENS GAMESA uses derivatives instrument to mitigate these market price risks.

#### *c. Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises whenever interest terms of financial assets and liabilities are different. SIEMENS GAMESA uses external sources to finance parts of its operations. Loans at variable rates expose the Group to interest rate risks, while loans at fixed rates expose the Group to fair value interest rate risk. The variable rates are mainly linked to the LIBOR or the EURIBOR. SIEMENS GAMESA continuously analyses the split of external financing at variable and fixed rates to optimize the interest rate exposure.

The Group uses derivative financial instruments to mitigate the interest rate risk. These interest rate hedges are assigned specifically to debt instruments and are matching their maturity as well as the nominal amount (Note 22).

At September 30, 2017, respectively at December 31, 2016, the split of the borrowings into fixed and variable rate is as follows (Note 21):

Thousands of euros	09.30.2017		12.31.2016	
	Excluding hedges	Including hedges	Excluding hedges	Including hedges
Fixed Rate	25,000	242,257	-	-
Variable Rate	1,257,134	1,039,877	1,827	1,827

Based on instruments bearing interests at fixed and variable rates and financial instruments hedging interest rate risk which SIEMENS GAMESA holds, a hypothetical change in the interest rates applicable to the respective instruments would have had the following effects:

Thousands of euros	Debit / (Credit) (*)			
	Variation in interest -0.25%		Variation in interest +0.25%	
	Impact on profits before taxes	Impact on equity	Impact on profits before taxes	Impact on equity
09.30.2017	(2,627)	5	2,627	(5)
12.31.2016	(4)	-	4	-

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

## B. LIQUIDITY RISK

Liquidity risk is the risk that SIEMENS GAMESA is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. SIEMENS GAMESA mitigates the liquidity risk by the implementation of an effective working capital and cash management as well as with arranged credit facilities with highly rated financial institutions. As of September 30, 2017, SIEMENS GAMESA has unused credit facilities of EUR 1,377 million (52% of total credit facilities) (Note 21).

Furthermore, the Group attempts to maintain a financial debt structure that is in line with the maturity of the assets to be financed. Therefore non-current assets are financed with long-term debt or equity, whereas working capital is largely financed with current borrowings.

## C. CREDIT RISK

The credit risk is the risk that exist when a counterparty or customer does not meet its contractual payment obligations, and this leads to a loss for SIEMENS GAMESA.

SIEMENS GAMESA deals in principle with customers that have an appropriate credit history and rating. The customers mainly consist of companies within the energy sector where the steady cash-inflow from the sale of electricity leads to an above average credit rating. Nevertheless, in cases of customers with a below average rating or credit history, SIEMENS GAMESA uses a variety of mitigation measures, such as irrevocable letters of credit or export insurances to cover the increased credit risk. Furthermore, the customer contract is individualized according to the credit risk exposure to safeguard SIEMENS GAMESA from an insolvency of the counterparty.

The analysis of the overdue trade receivables, which cover the majority of the financial assets, which have not been impaired, and without considering the average credit rating as of September 30, 2017 and December 31, 2016, is as follows:

Thousands of euros	09.30.2017	12.31.2016
Less than 90 days	223,644	68,978
90 - 180 days	66,481	15,051
More than 180 days	123,215	26,235
<b>Total trade and other receivables – overdue</b>	<b>413,340</b>	<b>110,264</b>

The credit risk exposure of cash and other cash equivalents can be anticipated with the credit rating of the corresponding financial institutions. The overview below discloses the cash and cash equivalents as of September 30, 2017 and December 31, 2016, by financial institutions with the following ratings:

Thousands of euros	09.30.2017	12.31.2016
AA-	25,305	5
A+	222,314	93,222
A	442,757	11,627
A-	128,333	589
BBB+	302,489	37,033
BBB	387,986	737
BBB-	43,353	4,972
BB+ or lower	106,931	38
<b>Total</b>	<b>1,659,468</b>	<b>148,223</b>

## 6. Key accounting judgments and estimates

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses. Actual results may differ from management's estimates. Estimates and assumptions are reviewed on an ongoing basis, and changes in estimates and assumptions are recognised in the period in which the changes occur and in future periods impacted by the changes. The estimates with a significant effect on the accompanying Consolidated Financial Statements are as follows:

- Construction projects accounted for using the percentage-of-completion method recognise revenue as performance on a contract progress. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues in the respective reporting period.
- As indicated in Notes 4.F and 4.G, SIEMENS GAMESA Group determines the estimated useful lives and the relevant amortization/depreciation charges for its intangible assets and property, plant and equipment. SIEMENS GAMESA Group will increase the amortization/depreciation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.
- SIEMENS GAMESA estimates the warranty provisions required for possible repair costs that the Group will incur within the warranty period. Warranty provisions related to wind turbines are generally calculated using estimates regarding the number of component failures (failure rate estimate) and their rectifications costs. (Note 4.Q).
- SIEMENS GAMESA Group has made certain assumptions in order to calculate the liability arising from obligations to employees (Notes 4.R and 4.S). The fair value of those financial instruments granted as share-based payments (Note 19.E) that are not traded in an active market is determined by using measurement techniques. The Group uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. Changes in these assumptions would not have a significant impact on these Consolidated Financial Statements.
- The impairment tests require the estimation of the future development of the businesses and the most appropriate discount rate in each case. SIEMENS GAMESA Group believes that its estimates in this area are adequate and coherent with the current economic environment and they reflect its investment plans and the best estimates available regarding its future revenues and income, and it considers that its discount rates adequately reflect the risks relating to each cash generating unit.

- Whenever property, plant and equipment and other intangible assets are to be tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.
- The allowance for doubtful accounts involves significant management judgment and review of receivables based on customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio (Note 16).
- The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognises liabilities for potential tax claims based on an estimation of whether or not additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on Income Tax and the provisions for deferred taxes in the year in which they are deemed to arise (Note 26).
- SIEMENS GAMESA Group recognises deferred tax assets only to the extent that their future realisation or utilisation is sufficiently assured. As future developments are uncertain and partly beyond SIEMENS GAMESA Group's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will be recovered. Estimates are reviewed in the period in which there is sufficient evidence to review the assumption (Note 27).
- The exit of the UK from the European Union triggers an extended period of uncertainty, which adversely impacts future investments in the UK energy market and increase the uncertainty also into the business development of SIEMENS GAMESA in the UK. SIEMENS GAMESA Group currently estimates that it will be able to cover these uncertainties through several risk mitigation measures and sees therefore no immediate risk for the Consolidated Financial Statements, e.g. on the recoverability of assets resulting from past investments in the UK.
- In a business combination the acquirer shall measure the identifiable assets acquired and the liabilities assumed (including contingent liabilities) at their acquisition-date fair values. The estimates of the acquisition-date fair values are based on judgement and are determined by using certain measurement techniques, which are also supported by independent third party appraisers. Furthermore, the measurement period, which is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination, will end as of April 3, 2018 for the Merger transaction between GAMESA and Siemens Wind HoldCo, S.L. The measurement period provides the acquirer with a reasonable time to obtain the information necessary to identify and measure, as of the acquisition date in accordance with the requirements of IFRS 3, amongst others the identifiable assets acquired, liabilities assumed, the consideration transferred or the resulting goodwill.

Although these estimates on the events analysed were made on the basis of the best information available at September 30, 2017 and December 31, 2016, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related Consolidated Statement of Profit and Loss.

## 7. Earnings allocation

At the date of preparation of these Consolidated Financial Statements, the Board of Directors of SIEMENS GAMESA, estimates that it will propose to the General Shareholders' Meeting for its approval, the following allocation of results for the year 2017 as shown below, determined according to Spanish accounting regulations applicable to the Statutory Financial Statements of the company:

	Thousands of euros
<b>Basis of distribution</b>	
Loss for the year	(1,782,844)
<b>Total</b>	<b>(1,782,844)</b>
<b>Distribution</b>	
Profit and Loss from previous year	(1,782,844)
<b>Total</b>	<b>(1,782,844)</b>

## 8. Segment reporting

The reportable segments of the SIEMENS GAMESA Group are adapted to the operating configuration of the business units and to the financial and management information used by the executive boards of the Group, being the following in 2017, and also for comparative purposes in 2016:

- Wind Turbines (\*)
- Operation and maintenance

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

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

### **A. INFORMATION BY BUSINESS UNITS**

#### Revenue

The breakdown, by segment, of consolidated revenue for the years ended September 30, 2017 and December 31, 2016 is as follows:

Segments	Thousands of euros	
	2017	2016
Wind Turbines	5,763,818	5,100,222
Operation and Maintenance	774,380	1,063,674
<b>Net revenue from continued operations</b>	<b>6,538,198</b>	<b>6,163,896</b>

## Net Income

The breakdown, by segment, of the contribution to the net income after tax for the years ended September 30, 2017 and December 31, 2016 is as follows:

Segments	Thousands of euros	
	2017	2016
<b>Continuing Operations</b>		
Wind Turbines	(112,548)	298,789
Operation and Maintenance	112,545	209,366
<b>Total Results Segment Operations</b>	<b>(3)</b>	<b>508,155</b>
Unassigned results (*)	(25,421)	(4,279)
Corporate income tax	10,217	(60,973)
<b>Net income attributable to the Parent company</b>	<b>(15,207)</b>	<b>442,903</b>

(\*) This item includes financial results, results attributable to non-controlling interests and income (loss) from investments accounted for using the equity method.

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

Financial expenses and income, and corporation tax expense have not been assigned to the operating segments because those concepts are jointly managed by the Group.

## B. GEOGRAPHICAL INFORMATION

In addition, the SIEMENS GAMESA Group currently operates in several geographical markets. The main areas are EMEA (including Spain), AMERICA and APAC. The main countries per each one is as follows:

- EMEA: Denmark, Germany and Great Britain
- AMERICA: USA, Brazil and Mexico
- APAC: India, China and Australia

The most significant disclosures in this regard, grouped by geographical area are as follows:

## Revenue

The breakdown, by geographical segment, of revenue for the years ended September 30, 2017 and December 31, 2016 is as follows:

Geographical area	2017		2016	
	Thousands of euros	%	Thousands of euros	%
Spain	165,179	2.5%	4,084	0.1%
EMEA	4,005,553	61.3%	4,385,270	71.1%
AMERICA	1,719,221	26.3%	1,435,524	23.3%
APAC	648,245	9.9%	339,018	5.5%
<b>Total</b>	<b>6,538,198</b>	<b>100%</b>	<b>6,163,896</b>	<b>100%</b>

### Total assets

The breakdown, by geographical segment, of the total assets at September 30, 2017 and December 31, 2016 is as follows:

Geographical area	09.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
Spain	3,400,373	28.4%	2,231	0,0%
EMEA	4,225,741	35.3%	3,504,780	73,2%
AMERICA	2,195,763	18.3%	1,099,760	23,0%
APAC	2,149,720	18.0%	182,460	3,8%
<b>Total</b>	<b>11,971,597</b>	<b>100%</b>	<b>4,789,231</b>	<b>100%</b>

The disclosure above does not include any amount corresponding to the Goodwill resulting from the Merger.

### Investment in assets

The breakdown, by geographical segment, of the investments in property, plant and equipment and other intangible assets for the years ended September 30, 2017 and December 31, 2016 is as follows:

Geographical area	2017		2016	
	Thousands of euros	%	Thousands of euros	%
Spain	47,022	11.4%	4	0.0%
EMEA	290,697	70.6%	319,722	81.5%
AMERICA	26,909	6.5%	44,121	11.2%
APAC	47,237	11.5%	28,696	7.3%
<b>Total</b>	<b>411,865</b>	<b>100%</b>	<b>392,543</b>	<b>100%</b>

## **9. Goodwill**

The carrying amount of Goodwill is as follows:

Thousands of euros	09.30.2017	12.31.2016
<b>Cost</b>		
Balance at beginning of the year	198,026	201,013
Translation differences and other	56,561	(2,987)
Acquisition and purchase accounting adjustments (Notes 1 and 3)	4,437,982	-
<b>Balance at year – end</b>	<b>4,692,569</b>	<b>198,026</b>
<b>Accumulated impairment losses and other changes</b>		
Balance at beginning of the year	(33,178)	(36,866)
Translation differences and other	821	3,688
<b>Balance at year – end</b>	<b>(32,357)</b>	<b>(33,178)</b>
<b>Carrying amount</b>		
Balance at beginning of the year	164,848	164,147
<b>Balance at year – end</b>	<b>4,660,212</b>	<b>164,848</b>



The goodwill impairment test is performed at the level of the segments, "Wind Turbines" and "Operation and Maintenance", since they are both the smallest identifiable groups of assets that the Group's directors monitor, and that are consistent with the segments identified in Note 8. SIEMENS GAMESA Group performs the mandatory annual impairment test in the three months ended September 30. The recoverable amounts for the annual impairment test 2017 for SIEMENS GAMESA's segments were estimated to be higher than their carrying amounts. Key assumptions on which the Group based its determinations of the fair value less costs to sell for segments include terminal value growth rates of 1.7% in year 2017, and 1.7% in 2016 for both segments, and after tax discount rates of 8.5% in year 2017 for both segments, while in year 2016 a 8.5% after tax discount rate was used for Wind Turbines (former "Wind Power and Renewables" as a SIEMENS division) and 8.0% for the Operation and Maintenance segment (former "Power Generation Services" in Siemens AG).

For the purpose of estimating the fair value less costs to sell of the segments, cash flows were projected for the next five years based on past experience, actual operating results and management's best estimate about future developments as well as market assumptions.

The fair value less costs to sell is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates are based on the weighted average cost of capital (WACC) for the Groups of business units. The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each Segment by taking into account specific peer Group information on beta factors, leverage and cost of debt. The parameters for calculating the discount rates are based on external sources of information. The peer Group is subject to an annual review and adjusted, if necessary. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends.

The following table presents key assumptions used to determine fair value less costs to sell for impairment test purposes for the Segments goodwill is allocated:

Thousands of euros	Goodwill allocation	Terminal value growth rate	09.30.2017 After-Tax discount rate
"Wind Turbines" segment	1,843,822	1.70%	8.50%
"Operation and Maintenance" segment	2,816,390	1.70%	8.50%
<b>Total</b>	<b>4,660,212</b>		

Thousands of euros	Goodwill allocation	Terminal value growth rate	12.31.2016 After-Tax discount rate
"Wind Turbines" segment	134,495	1.70%	8.50%
"Operation and Maintenance" segment	30,353	1.70%	8.00%
<b>Total</b>	<b>164,848</b>		

Additionally for Wind turbine segment a sales volume marginally above 8 Billion euros has been considered for 2018 with a 5.3% profit margin pre - ppa (considering the restructuring plan), and for subsequent years a gradual increase has been considered due to the synergies and the capacity adjustment measures adopted, Terminal value obtained through the methodology generally accepted for business valuation (cash flows discounts), represents 87.80% of the total recoverable value.

On the other hand for Service segment a sales volume marginally above 1 Billion euros has been considered for 2018 with a 15,6% profit margin pre - ppa (considering the restructuring plan), and for subsequent years a gradual increase has been considered due to the synergies and the capacity adjustment measures adopted, Terminal value obtained through the methodology generally accepted for business valuation (cash flows discounts), represents 84.59% of the total recoverable value.

The sensitivity analysis for both Segments was based on a reduction in after-tax future cash flows by 10% or an increase in after-tax discount rates by one percentage point or a reduction in the terminal value growth rate by one percentage point or a 10% in Terminal Value Margin. SIEMENS GAMESA concluded that no impairment loss would need to be recognised on goodwill in any of the both Segments. The goodwill amount as well as allocation is still preliminary, as the one year subsequent to the Merger as of April 3, 2017, has not past as of September 30, 2017.

## 10. Other intangible assets

The changes in “Other Intangible Assets” in the Consolidated Balance Sheet in 2017 and 2016 were as follows:

Thousands of euros Year 2017	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Internally generated technology	47,260	-	73,647	(9)	(103)	-	120,795
Acquired technology including patents, licenses and similar rights	98,971	1,146,945	25	(3)	(252)	-	1,245,686
Customer relationships and order backlog	2,139	1,386,369	-	-	(93,909)	-	1,294,599
Advance Payments for Intangible Assets	-	-	718	-	-	-	718
	148,370	2,533,314	74,390	(12)	(94,264)	-	2,661,798
<b>Amortization</b>							
Internally generated technology	(25,239)	-	(10,704)	5	48	-	(35,890)
Acquired technology including patents, licenses and similar rights	(82,151)	-	(91,135)	3	66	-	(173,217)
Customer relationships and order backlog	(2,139)	-	(147,697)	-	2	-	(149,834)
	(109,529)	-	(249,536)	8	116	-	(358,941)
<b>Total other intangible assets at 09.30.2017</b>	<b>38,841</b>	<b>2,533,314</b>	<b>(175,146)</b>	<b>(4)</b>	<b>(94,148)</b>	<b>-</b>	<b>2,302,857</b>

Thousands of euros Year 2016	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Internally generated technology	41,715	-	5,812	(422)	155	-	47,260
Acquired technology including patents, licenses and similar rights	98,620	-	31	(2)	322	-	98,971
Customer relationships and order backlog	2,131	-	-	-	8	-	2,139
	142,466	-	5,843	(424)	485	-	148,370
<b>Amortization</b>							
Internally generated technology	(13,980)	-	(11,597)	400	(61)	-	(25,239)
Acquired technology including patents, licenses and similar rights	(75,564)	-	(6,301)	2	(288)	-	(82,151)
Customer relationships and order backlog	(2,131)	-	-	-	(8)	-	(2,139)
	(91,675)	-	(17,898)	402	(357)	-	(109,529)
<b>Total other intangible assets at 12.31.2016</b>	<b>50,791</b>	<b>-</b>	<b>(12,056)</b>	<b>(22)</b>	<b>128</b>	<b>-</b>	<b>38,841</b>

During 2017, the main increase in the capitalized development costs is due to the development of new wind turbine models, software and the optimization of the components' performance for an amount of EUR 73,647 thousands (EUR 5,812 thousands in 2016) mainly in Denmark and Spain in the amounts of EUR 46,570 thousands and EUR 19,571 thousands, approximately and respectively.

Acquired technology includes technologies identified in line with the SIEMENS GAMESA Merger valued on platform basis in an amount of EUR 1,060 million as of September 30, 2017. The fair value at the Merger effective date amounted to EUR 1,147 million. The remaining useful life for these intangible assets, depending on the different platform types, is between 0.75 and 10.75 years (in average 6.35 years).

The fair value of customer relationships identified in line with the SIEMENS GAMESA Merger amounted at the Merger effective date to EUR 958 million. The remaining useful life depends on the business segment for which the customer relationship has been identified: 5.5 years for the Wind Turbine segment and 19.75 years for the Operation and Maintenance segment.

Furthermore, an order backlog in an amount of EUR 429 million has been identified in line with the SIEMENS GAMESA Merger. The remaining useful life depends on the individual contracts and is between 0.5 and 18 months (in average 13 months) for the Wind Turbine segment and is between 0.5 and 20 years (in average 8 years) for the Operation and Maintenance segment.

The carrying amount of customer relationships and order backlog as of September 30, 2017 is EUR 1,145 million.

Research and development expenses not capitalized during the year ended September 30, 2017 amounted to EUR 141 million (EUR 198 million in the year 2016).

Fully amortized intangible assets in use at September 30, 2017 and December 31, 2016 amounted to EUR 7,276 thousands and EUR 7,275 thousands, respectively.

As of September 30, 2017 SIEMENS GAMESA had no significant contractual commitments for the acquisition of intangible assets.

## 11. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the Consolidated Balance Sheet in 2017 and 2016 were as follows:

Thousands of euros Year 2017	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Land and buildings	537,607	175,781	21,280	(6,778)	(27,270)	93,778	794,398
Technical facilities and machinery	250,360	317,356	86,575	(8,279)	(38,060)	9,569	617,521
Other property, plant and equipment	658,967	112,137	95,791	(43,947)	(18,796)	42,305	846,457
Property, plant and equipment under construction	182,077	23,034	133,829	(236)	(7,978)	(145,652)	185,074
	1,629,011	628,308	337,475	(59,240)	(92,104)	-	2,443,450
<b>Depreciation</b>							
Buildings	(151,293)	-	(29,431)	4,831	4,021	-	(171,872)
Technical facilities and machinery	(138,568)	-	(55,712)	5,948	15,130	571	(172,631)
Other property, plant and equipment	(468,036)	-	(103,625)	36,890	9,633	(571)	(525,709)
	(757,897)	-	(188,768)	47,669	28,784	-	(870,212)
<b>Impairment losses</b>							
Land and buildings	(169)	-	(9,746)	-	-	-	(9,915)
Technical facilities and machinery	(1,697)	-	(19,274)	-	-	-	(20,971)
Other property, plant and equipment	(308)	-	(4,687)	-	-	-	(4,995)
	(2,174)	-	(33,707)	-	-	-	(35,881)
<b>Total tangible assets at 09.30.2017</b>	<b>868,940</b>	<b>628,308</b>	<b>115,000</b>	<b>(11,571)</b>	<b>(63,320)</b>	<b>-</b>	<b>1,537,357</b>

Thousands of euros Year 2016	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Land and buildings	421,569	-	1,202	(901)	1,625	114,112	537,607
Technical facilities and machinery	222,394	-	25,564	(11,736)	2,678	11,460	250,360
Other property, plant and equipment	544,785	-	109,714	(29,165)	2,527	31,106	658,967
Property, plant and equipment under construction	96,308	-	250,220	(200)	(7,573)	(156,678)	182,077
	1,285,056	-	386,700	(42,002)	(743)	-	1,629,011
<b>Depreciation</b>							
Buildings	(129,995)	-	(21,199)	703	(802)	-	(151,293)
Technical facilities and machinery	(122,056)	-	(24,601)	7,548	689	(148)	(138,568)
Other property, plant and equipment	(395,130)	-	(97,733)	27,097	(2,418)	148	(468,036)
Property, plant and equipment under construction	-	-	-	-	-	-	-
	(647,181)	-	(143,533)	35,348	(2,531)	-	(757,897)
<b>Impairment losses</b>							
Land and buildings	-	-	(169)	-	-	-	(169)
Technical facilities and machinery	-	-	(1,697)	-	-	-	(1,697)
Other property, plant and equipment	-	-	(308)	-	-	-	(308)
Property, plant and equipment under construction	-	-	-	-	-	-	-
	-	-	(2,174)	-	-	-	(2,174)
<b>Total tangible assets at 12.31.2016</b>	<b>637,875</b>	<b>-</b>	<b>240,993</b>	<b>(6,654)</b>	<b>(3,274)</b>	<b>-</b>	<b>868,940</b>

#### A. INVESTMENTS FOR THE FINANCIAL YEAR

The main additions in the year ended September 30, 2017 are related mainly to the investments in new manufacturing plants in Germany (Cuxhaven) and Morocco (Tangier) besides of normal maintenance capital expenditure in India, Denmark and US. The additions in the year 2016 the related mainly to new production plants in Great Britain (Hull) and Germany (Cuxhaven).

The main impairment losses of the year ended September 30, 2017 are related to the closure of Engesvang (Denmark), a production line in Aalborg (Denmark) and the blade manufacturing plant in Tillsonburg (Canada).

#### B. LEASING CONTRACTS

At September 30, 2017 and December 31, 2016 the SIEMENS GAMESA has no significant financial leases (Note 21).

#### C. TOTALLY DEPRECIATED ASSETS

The amounts of operating tangible assets fully depreciated at September 30, 2017 and December 31, 2016 amounted EUR 448,889 thousands and EUR 348,367 thousands, respectively. At September 30, 2017 and December 31, 2016 most of these assets correspond to tools and test equipment.

#### D. COMMITMENTS FOR THE ACQUISITION OF ASSETS

At September 30, 2017 the SIEMENS GAMESA Group companies had property, plant and equipment purchase commitments amounting to EUR 76.5 million approximately (EUR 125 million at December 31, 2016), are related mainly to production facilities and new developments of wind facilities and its components.

## **E. INSURANCE COVERAGE**

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

## **12. Investments carried under the equity method**

The breakdown of the investments in associates of the SIEMENS GAMESA Group at September 30, 2017 is as follows (at December 31, 2016 there were no investments in associates):

Company	Shareholding %	Thousands of euros	
		09.30.2017	12.31.2016
Windar Renovables, S.L.	32%	64,900	-
Nuevas Estrategias de Mantenimiento, S.L.	50%	4,638	-
Others	-	4,071	-
<b>Total</b>		<b>73,609</b>	<b>-</b>

The changes occurred in 2017 under this heading in the Consolidated Balance Sheet were as follows:

	Thousands of euros
<b>Balance at December 31, 2016</b>	<b>-</b>
First time consolidation of GAMESA on April 3, 2017	74,340
Profit for the year	410
Others	(1,141)
<b>Balance at September 30, 2017</b>	<b>73,609</b>

The breakdown of consolidated assets, liabilities, revenues and expenses of companies recognised using the equity method at September 30, 2017 is as follows:

## **A. FINANCIAL INFORMATION RELATED TO JOINT VENTURES**

Financial information summarized at September 30, 2017 (at 100% and before intercompany eliminations) related to the most significant joint ventures registered by equity method is as follows:

	Thousands of euros
<b>Nuevas Estrategias de Mantenimiento, S.L.</b>	<b>09.30.2017</b>
Total non-current assets	894
Total current assets	4,973
<b>Total Assets</b>	<b>5,867</b>
Total equity	4,724
Total non-current liabilities	608
Total current liabilities	535
<b>Total Liabilities and Equity</b>	<b>5,867</b>

	Thousands of euros
<b>Nuevas Estrategias de Mantenimiento, S.L.</b>	<b>09.30.2017</b>
<b>Profit and Loss information</b>	
Income from ordinary activities	2,756
Depreciation and amortization	-
Interest income	-
Interest expenses	-
Income tax expense/(income)	-
Net profit from continued operations	64
<b>Balance sheet information</b>	
Cash and cash equivalents	2,298
Current financial liabilities	-
Non-current financial liabilities	608

Between April 3, 2017 and September 30, 2017 no dividends were received from this company.

#### **B. INFORMATION RELATED TO ASSOCIATED COMPANIES**

Financial information summarized at September 30, 2017 (at 100% and before the intercompany eliminations) related to the most significant associated companies registered by the equity method is as follows:

	Thousands of euros
<b>Windar Renovables, S.L. and subsidiaries</b>	<b>09.30.2017</b>
Total non-current assets	77,321
Total current assets	158,727
<b>Total Assets</b>	<b>236,048</b>
Total equity	90,631
Total non-current liabilities	22,934
Total current liabilities	122,483
<b>Total Equity and Liabilities</b>	<b>236,048</b>

	Thousands of euros
<b>Windar Renovables, S.L. and subsidiaries</b>	<b>09.30.2017</b>
<b>Profit and Loss information</b>	
Income from ordinary activities	93,855
Net profit from continued operations	2,307

Between April 3, 2017 and September 30, 2017, no dividends have been received from this company.

The book value of the net investment in Windar Renovables, S.L. at September 30, 2017 amounts EUR 65 millions (EUR 0 at December 31, 2016), and it includes the capital gain which emerged at the moment of the acquisition of the investment in the associate (EUR 35 million approximately, representing the difference between the total consideration given and the share of the entity's book value at the time of the acquisition as of April 3, 2017).

### 13. Financial instruments by category

#### A. COMPOSITION AND BREAKDOWN OF FINANCIAL ASSETS

The breakdown of the Group's financial assets at September 30, 2017 and December 31, 2016, presented by nature and category for measurement purposes, is the following:

Thousands of euros						
09.30.2017	Other financial assets at fair value through P&L	Available-for-sale financial assets (Note 14)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Financial assets: Nature / Category						
Derivatives (Notes 14 and 22)	-	-	-	-	80,172	80,172
Other financial assets (Note 14)	-	26,935	178,725	-	-	205,660
<b>Long-term / non-current</b>	-	<b>26,935</b>	<b>178,725</b>	-	<b>80,172</b>	<b>285,832</b>
Derivatives (Note 22)	-	-	-	-	78,677	78,677
Other financial assets	-	-	96,992	-	-	96,992
<b>Short-term / current</b>	-	-	<b>96,992</b>	-	<b>78,677</b>	<b>175,669</b>
<b>Total</b>	-	<b>26,935</b>	<b>275,717</b>	-	<b>158,849</b>	<b>461,501</b>

Thousands of euros						
12.31.2016	Other financial assets at fair value through P&L	Available-for-sale financial assets (Note 14)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 22)	Total
Financial assets: Nature / Category						
Derivatives (Notes 14 and 22)	-	-	-	-	69,253	69,253
Other financial assets (Note 14)	-	193	2,333	-	-	2,526
<b>Long-term / non-current</b>	-	<b>193</b>	<b>2,333</b>	-	<b>69,253</b>	<b>71,779</b>
Derivatives (Note 22)	-	-	-	-	56,726	56,726
Other financial assets	-	-	39,385	-	-	39,385
<b>Short-term / current</b>	-	-	<b>39,385</b>	-	<b>56,726</b>	<b>96,111</b>
<b>Total</b>	-	<b>193</b>	<b>41,718</b>	-	<b>125,979</b>	<b>167,890</b>

## B. COMPOSITION AND BREAKDOWN OF FINANCIAL LIABILITIES

The breakdown of the Group's financial liabilities at September 30, 2017 and December 31, 2016, presented by nature and category for measurement purposes, is the following:

09.30.2017	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Financial liabilities: Nature / Category				
Bank borrowings (Note 21)	-	485,116	-	485,116
Derivatives (Note 22)	-	-	15,297	15,297
Other financial liabilities	-	185,691	-	185,691
<b>Long-term / non-current</b>	-	<b>670,807</b>	<b>15,297</b>	<b>686,104</b>
Bank borrowings (Note 21)	-	797,018	-	797,018
Derivatives (Note 22)	-	-	82,913	82,913
Other financial liabilities	-	13,354	-	13,354
<b>Short-term / Current</b>	-	<b>810,372</b>	<b>82,913</b>	<b>893,285</b>
<b>Total</b>	-	<b>1,481,179</b>	<b>98,210</b>	<b>1,579,389</b>

12.31.2017	Thousands of euros			
	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 22)	Total
Financial liabilities: Nature / Category				
Bank borrowings (Note 21)	-	1,723	-	1,723
Derivatives (Note 22)	-	-	37,527	37,527
Other financial liabilities	-	3,205	-	3,205
<b>Long-term / Non-current</b>	-	<b>4,928</b>	<b>37,527</b>	<b>42,455</b>
Bank borrowings (Note 21)	-	104	-	104
Derivatives (Note 22)	-	-	62,449	62,449
Other financial liabilities	-	1,015	-	1,015
<b>Short-term / Current</b>	-	<b>1,119</b>	<b>62,449</b>	<b>63,568</b>
<b>Total</b>	-	<b>6,047</b>	<b>99,976</b>	<b>106,023</b>

## 14. Non – current financial assets

The breakdown of “Non-current financial assets” as of September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Derivatives (Note 22)	80,172	69,253
Available-for-sale financial assets	26,935	193
Other non-current financial assets	178,725	2,333
<b>Total</b>	<b>285,832</b>	<b>71,779</b>



## A. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The detail of the cost of acquisition of the most representative long-term available-for-sale financial assets at September 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros		% of Shareholding 09.30.2017	% of Shareholding 12.31.2016
	09.30.2017	12.31.2016		
Jianping Shiyinzi Wind Power Co., Ltd.	4,438	-	25%	-(*)
Wendeng Zhangjiachan Wind Power Co., Ltd.	7,651	-	40%	-(*)
Beipiao CGN Changgao Wind Power Co., Ltd.	4,318	-	25%	-(*)
CGN Anqiu Wind Power Co., Ltd.	5,187	-	25%	-(*)
Beipiao Yangshugou Wind Power Co., Ltd.	2,349	-	25%	-(*)
Datang (Jianping) New Energy Co., Ltd.	1,812	-	25%	-(*)
Others	1,180	193	Several	Several
<b>Total</b>	<b>26,935</b>	<b>193</b>		

(\*) owned by former GAMESA Group.

As at September 30, 2017, SIEMENS GAMESA Group holds investments in various chinese companies (wind farms) with ownership interests generally of 25% to 40%. Despite holding ownership interests above 20%, SIEMENS GAMESA's management considers that significant influence does not exist in these companies since there is no power to participate in decisions regarding the financial and operating policies of these companies. In general, SIEMENS GAMESA Group takes part in the capital of these companies with the sole objective of favouring the granting of the relevant permits for the development of the plants and the construction and sale of wind turbines for those windfarms.

With the goal of determining that the recoverable value of these stakes is not lower than the book value at which they are recorded, SIEMENS GAMESA Group requires the results and the financial position (equity) to be reviewed by an external auditor. These reviews take place annually and no significant impairments have been identified in the book value of the aforementioned interests.

During the current period, there has been no significant dividend income from these Chinese investments or gains from their sale.

## B. OTHER NON-CURRENT FINANCIAL ASSETS

The amount presented under "Other non-current financial assets" as at September 30, 2017 substantially relates to the long-term portion of an indemnification receivable from the former ADWEN shareholder, Areva.

## 15. Inventories

Thousands of euros	09.30.2017	12.31.2016
Raw materials and supplies	765,158	294,056
Work in progress and finished goods	1,354,162	529,677
Cost in excess of billings (Note 18)	1,480,516	875,951
Advances to suppliers	125,735	41,838
Inventory write-downs	(270,473)	(93,630)
<b>Total</b>	<b>3,455,098</b>	<b>1,647,892</b>

"Cost of sales" includes inventories recognised as expense amounting to EUR 3,009 million and EUR 2,903 million in the years ended September 30, 2017 and December 31, 2016, respectively.

Current market conditions and pricing pressure have resulted in write-down of inventories in amounting to EUR 134 million, mainly in the United States and South Africa, in order to mark those inventories down to their estimated realizable value (write-down of inventories recognised as expense in the year ended December 31, 2016 amounted EUR 0.1 million). Besides of that, inventory write-downs-increase is also related to the SIEMENS GAMESA Merger transaction and the fair value of assets at the acquisition date.

As of September 30, 2017 and December 31, 2016 there were no inventories pledged as security for liabilities.

#### 16. Trade and other receivables

The detail of "Trade and other receivables" in the Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Trade and other receivables from third party	1,061,337	371,353
Trade and other receivables from related parties (Note 33)	92,838	771
Impairment due to uncollectible receivables	(73,036)	(6,589)
<b>Total</b>	<b>1,081,139</b>	<b>365,535</b>

All the aforementioned balances mature in less than twelve months and are non-interest-bearing.

The heading "Impairment due to uncollectible receivables" includes the allowances for doubtful accounts based on a recoverability analysis performed by SIEMENS GAMESA for uncollected past-due amounts and for potential problems relating to the collection of non matured items. The increase in this position in 2017 is mainly related to the SIEMENS GAMESA Merger transaction and the fair value of receivables at the acquisition date. This fair value is reflected in the gross value of the receivable and the regarding receivables' allowance.

The carrying amount of the trade and other receivables denominated in foreign currency as of September 30, 2017 and December 31, 2016 is as follows:

Currency	Equivalent value in thousands of euros	
	09.30.2017	12.31.2016
Canadian Dollar	12,184	58,442
US Dollar	146,546	43,638
Sterling Pound	41,262	55,761
Chinese Yuan	77,956	26,358
Danish Krone	78,621	20,828
Swedish Krona	12,395	5,177
Brazilian Real	50,432	2,017
Turkish Lira	2,716	15,145
Australian Dollar	22,292	37,454
Croatian Kuna	32,941	437
Egyptian Pound	10,449	-
Indian Rupee	153,641	-
Other currencies	27,041	7,930
<b>Total</b>	<b>668,476</b>	<b>273,187</b>

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

Thousands of euros	2017	2016
<b>At January 1</b>	<b>6,589</b>	<b>2,307</b>
Reversal of unused amounts (Note 30.E)	(3,717)	(2,609)
Creation of provisions (Note 30.E)	11,374	7,354
Usage due to uncollectability	(1,662)	(607)
Additions due to first-time consolidation	62,827	-
Exchange differences	(2,375)	144
<b>At September 30 / December 31</b>	<b>73,036</b>	<b>6,589</b>

#### 17. Cash and other cash equivalents

The breakdown of "Cash and cash equivalents" in the accompanying Consolidated Balance Sheets at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
Cash in euros	749,850	115,448
Cash in foreign currency (Note 4.M)	585,609	32,775
Liquid assets; initial maturity in less than three months (Note 4.M)	324,009	-
<b>Total</b>	<b>1,659,468</b>	<b>148,223</b>

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

Liquid assets with initial maturity in less than three months is mainly denominated in foreign currency (Note 4.M).

## 18. Construction contracts in progress

The breakdown of the construction contracts in progress is the following:

	Thousands of euros			
	09.30.2017	12.31.2016	01.01.2017 - 09.30.2017	01.01.2016 – 12.31.2016
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	12,311,786	8,892,151	-	-
Amount of contract revenue recognised as revenue in the period	-	-	5,987,453	5,890,802
Amount of retentions	1,526	18,490		
Costs in Excess of Billings (Note 15)	1,480,516	875,951		
<i>thereof Related Parties</i>	148,665	168,243		
Billings in Excess of Costs (Note 28)	1,566,048	1,505,141		
<i>thereof Related Parties</i>	130,460	260,434		
Amount of advances received (financing type advances) only positive amount	382,009	65,144		
<i>thereof Related Parties</i>	92,530	-		

When the outcome of a construction contract can be estimated reliably, SIEMENS GAMESA applies the percentage of completion method for construction contracts, based on the percentage of costs incurred to date compared to the total estimated contract costs.

The aggregate amount of costs incurred and recognised profits (less recognised losses) for construction contracts in progress as of September 30, 2017 and December 31, 2016 amounted to EUR 12,311,786 thousands and EUR 8,892,151 thousands, respectively. The amount of revenue from construction contracts (meeting the requirements indicated in Note 2.B) recognised in the period amounted to EUR 5,987,453 thousands and EUR 5,890,802 thousands for 2017 year end (until September 30) and 2016 year end (until December 31).

The gross amount due from customers for contract work, included under "Inventories", amounted to EUR 1,480,516 thousands and EUR 875,951 thousands, respectively, as of September 30, 2017 and December 31, 2016. This includes an amount of EUR 148,665 thousands from related parties as of September 30, 2017 (EUR 168,243 thousands as of December 31, 2016). The gross amount due to customers for contract work, included in "Other current liabilities", amounted to EUR 1,566,048 thousands and EUR 1,505,141 thousands, respectively, as of September 30, 2017 and December 31, 2016. This includes an amount of EUR 130,460 thousands due to related parties as of September 30, 2017 (EUR 260,434 thousands as of December 31, 2016).

The amount of advances received from costumers before the related work of the construction work is performed, included under "Other current liabilities", amounted to EUR 382,009 thousands and EUR 65,144 thousands, respectively, as of September 30, 2017 and December 31, 2016. This includes advanced payments received from related parties amounted to EUR 92,530 thousands as of September 30, 2017 (EUR 0 as of December 31, 2016). The retentions, as amounts of progress billings that are not paid until the fulfilment of conditions specified in the contract for the payment of such amounts or until defects have been rectified, amounted to EUR 1,526 thousands and EUR 18,490 thousands, respectively, as of September 30, 2017 and December 31, 2016.

## 19. Equity of the Parent Company

### A. **ISSUED CAPITAL**

The Share capital of SIEMENS GAMESA Renewable Energy, S.A. at September 30, 2017 amounts to EUR 115,794 thousands being composed of 681,143,382 ordinary shares of EUR 0.17 of nominal value each, represented by means of annotations into account, fully subscribed and disbursed.

According to information of the company, the shareholder structure of SIEMENS GAMESA at September 30, 2017 is as follows:

	<b>% Shareholding 09.30.2017</b>
Siemens AG (*)	59.000%
Iberdrola, S.A.	8.071%
Others (**)	32.929%
<b>Total</b>	<b>100.000%</b>

(\*) 28.877% by Siemens Beteiligungen Inland GmbH.

(\*\*) All with an ownership interest of less than 3% and there are no significant shareholders according to the article 32 of the Royal Decree 1362/2007 of October 19 on shareholders required to notify their stake due to the residence in a tax haven or in a country of 0 taxation or with no effective exchange of tax information.

SIEMENS GAMESA's shares are listed in IBEX 35 through the Automated Quotation System (Mercado Continuo) at the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges.

The main objectives of SIEMENS GAMESA Group share capital management are to ensure short and long term financial stability, the positive market performance of the shares of SIEMENS GAMESA, the adequate financing of its investments and maintaining levels of external financing in line with the development of the business, so to ensure that the SIEMENS GAMESA Group maintains its financial strengths and the soundness of its financial ratios.

At September 30, 2017, the SIEMENS GAMESA Group was within the parameters set by management for the purpose of managing this risk, as the ratio of debt (net of cash) to equity attributable to the Parent company was -5.85% (-24.98% in December 31, 2016).

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

<b>Thousands of euros</b>	<b>09.30.2017</b>	<b>12.31.2016</b>
<b>Non-current liabilities</b>		
Bank borrowings (Note 21)	485,116	1,723
<b>Current liabilities</b>		
Bank borrowings (Note 21)	797,018	104
<b>Total bank borrowings</b>	<b>1,282,134</b>	<b>1,827</b>
<b>Cash and other cash equivalents (Note 17)</b>	<b>(1,659,468)</b>	<b>(148,223)</b>
<b>Bank borrowings net of cash</b>	<b>(377,334)</b>	<b>(146,396)</b>
<b>Total Equity of the Parent Company</b>	<b>6,447,052</b>	<b>586,041</b>
<b>Proportion of debt (net of cash) and equity attributable to the Parent company</b>	<b>(5.85%)</b>	<b>(24.98%)</b>

### B. **CAPITAL RESERVE**

The Spanish Companies Act allows the use of the share premium to increase share capital and there is no specific restrictions for it.

### C. UNREALISED ASSET AND LIABILITY REVALUATION RESERVE

The changes in this reserve in 2017 and 2016 were as follows:

Thousands of euros	12.31.2016	Change in fair value	Taken to Profit and Loss	09.30.2017
<b>Cash-flow hedges</b>				
Interest rate swaps	-	(373)	754	381
Securities of electricity price hedge	-	(548)	27	(521)
Currency forwards	27,926	51,934	(4,197)	75,663
	<b>27,926</b>	<b>51,013</b>	<b>(3,416)</b>	<b>75,523</b>
<b>Deferred taxes due to the remeasurement of unrealised assets and liabilities</b>	<b>(5,955)</b>	<b>(14,992)</b>	<b>1,206</b>	<b>(19,741)</b>
<b>Total</b>	<b>21,971</b>	<b>36,021</b>	<b>(2,210)</b>	<b>55,782</b>

Thousands of euros	12.31.2015	Change in fair value	Taken to Profit and Loss	12.31.2016
<b>Cash-flow hedges</b>				
Currency forwards	15,914	37,891	(25,879)	27,926
	<b>15,914</b>	<b>37,891</b>	<b>(25,879)</b>	<b>27,926</b>
<b>Deferred taxes due to the remeasurement of unrealised assets and liabilities</b>	<b>(866)</b>	<b>(2,506)</b>	<b>(2,583)</b>	<b>(5,955)</b>
<b>Total</b>	<b>15,048</b>	<b>35,385</b>	<b>(28,462)</b>	<b>21,971</b>

### D. LEGAL RESERVES

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

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other reserves are not available for this purpose. SIEMENS GAMESA had neither other nor legal reserves in the previous year.

### E. TREASURY SHARES

The change in treasury shares held is as follows:

	Number of shares	Thousands of euros	Average price
<b>Balance at January 1, 2017</b>	-	-	-
First time consolidation at April 3, 2017	1,674,209	(37,410)	22.345
Acquisitions	9,433,101	(156,624)	16.604
Disposals	(9,399,802)	172,529	18.355
<b>Balance at September 30, 2017</b>	<b>1,707,508</b>	<b>(21,505)</b>	<b>12.594</b>

There were no treasury shares during the 12 month period ended in December 31, 2016.

The nominal value of the treasury shares acquired directly or indirectly by SIEMENS GAMESA, together with those already held by SIEMENS GAMESA and its subsidiaries does not exceed 10% of share capital in 2017.

On October 30, 2012 Gamesa Corporación Tecnológica, S.A. (currently SIEMENS GAMESA) entered in a liquidity agreement with Santander Investment Bolsa, which was reported to the National Security Market Commission (CNMV) on a Relevant Event of October 31, 2012. Within the framework of this agreement, during the period ranging from April to June, SIEMENS GAMESA acquired 4,562,229 own shares at the average price of EUR 20.00 per share, and sold 4,600,909 own shares at an average price of EUR 20.90 per share. On July 10, 2017, SIEMENS GAMESA entered into a new liquidity contract with Santander Investment Bolsa, which was communicated to the CNMV through a notice of a significant event on July 10, 2017. Within the framework of this agreement, during the months of July, August, and September, SIEMENS GAMESA acquired 4,870,872 own shares at the average price of EUR 13.43 per share, and sold 4,798,893 own shares at an average price of EUR 15.92 per share. The EUR 300 thousands difference between the cost and sales price was recognised under "Retained Earnings."

## 20. Non – controlling interests

The development of the non-controlling interests from non-wholly owned subsidiaries in 2017 (until September) and 2016 (until December) is as follows:

	Thousands of euros
<b>Balance at December 31, 2015</b>	<b>(3,648)</b>
Profit for the year	135
Other movements	3,579
<b>Balance at December 31, 2016</b>	<b>66</b>
Additions due to SIEMENS GAMESA Merger	448
Profit for the year	2,428
Other movements	(128)
<b>Balance at September 30, 2017</b>	<b>2,814</b>

These minority shareholdings are not material for the Consolidated Financial Statements of SIEMENS GAMESA as of September 30, 2017 and December 31, 2016.

## 21. Debt

The debt in the Balance sheet at September 30, 2017 and December 31, 2016 as well as the maturity dates are as follows:

Thousands of euros	Carrying Value Balance at 09.30.2017	Debts at September 30, 2017 maturing at							
		Current		Non-current					Total Non-current
		< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years		
Loans from banks	1,033,866	561,628	341,124	63,791	39,049	19,151	9,123	472,238	
Finance leases	5,930	727	731	783	839	550	2,300	5,203	
Loans in euros	1,039,796	562,355	341,855	64,574	39,888	19,701	11,423	477,441	
Indian Rupee	210,603	208,603	2,000	-	-	-	-	2,000	
Chinese Yuan	19,100	19,100	-	-	-	-	-	-	
Swedish Krona	4,437	364	385	407	431	455	2,395	4,073	
US Dollar	4,733	4,733	-	-	-	-	-	-	
Other	3,465	1,863	104	112	123	133	1,130	1,602	
Loans and credits facilities denominated in foreign currency (Note 4.M)	242,338	234,663	2,489	519	554	588	3,525	7,675	
Total	1,282,134	797,018	344,344	65,093	40,442	20,289	14,948	485,116	

Thousands of euros	Debts at December 31, 2016 maturing at							
	Carrying Value	Current		Non-current				Total Non-current
	Balance at 12.31.2016	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	
Loans from banks	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-
<b>Loans in euros</b>	-	-	-	-	-	-	-	-
Indian Rupee	-	-	-	-	-	-	-	-
Chinese Yuan	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	-	-	-	-
Danish Krone	1,784	89	97	106	115	125	1,252	<b>1,695</b>
Other	43	15	13	15	-	-	-	<b>28</b>
<b>Loans and credits facilities denominated in foreign currency (Note 4.M)</b>	<b>1,827</b>	<b>104</b>	110	121	115	125	1,252	<b>1,723</b>
<b>Total</b>	<b>1,827</b>	<b>104</b>	<b>110</b>	<b>121</b>	<b>115</b>	<b>125</b>	<b>1,252</b>	<b>1,723</b>

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

The debt in the balance sheet at September 30, 2017 relates to historical financing agreements of GAMESA as follows:

- On December 19, 2008, Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal) entered into a financing agreement with the European Investment Bank for a maximum amount of EUR 200 million, divided into two parts, EUR 140 million and EUR 60 million, respectively. The terms of this credit establish maturity in 2018 and 2019 and an interest rate indexed to Euribor plus a market spread. These credits were fully drawn at December 31, 2014. On March 31, 2015, Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal partially and in advance amortized EUR 40 million of this loan, so being the rest of the loan drawn at September 30, 2017 amounting to EUR 160 million.
- At November 29, 2012, Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal obtained a EUR 260,000 thousands loan from the European Investment Bank to finance innovation, research and development projects relating to the processes of improving existing wind turbines, and the development of new products. The conditions of this loan establish its maturity date in 2019 and it accrues an interest rate referenced to the Euribor rate plus a market spread. This loan is fully drawn at September 30, 2017.
- At June 3, 2014, GAMESA signed a novation of a syndicated credit line contract ("revolving") amounting to EUR 350 million maturing in June 2018. The terms of the credit line establish an interest rate indexed to Euribor plus a market spread. At December 11, 2014, GAMESA signed a novation of this syndicated credit line, increasing the limit to EUR 750 million maturing in December 2019. Additionally, on December 17, 2015, GAMESA signed a new novation of that credit line, maintaining the limit amount on EUR 750 million and extending its maturity to 2021. On December 14, 2016 GAMESA signed an extension of this maturity to 2022. At September 30, 2017 no amount has been drawn from this credit line.

At September 30, 2017, the SIEMENS GAMESA Group companies had been granted loans and had drawn from credit facilities that accounted for 48% of the total financing granted to them, maturing between 2017 and 2026 and bearing weighted average interest at Euribor plus a market spread. The loans outstanding at September 30, 2017 bore annual weighted average interest at approximately 2.21% at that date.

At September 30, 2017 the caption "Debt" (current and non current) also includes EUR 32,389 thousands of interest-free advances provided to Siemens Gamesa Renewable Energy Innovation & Technology, S.L.U. (former Gamesa Innovation and Technology, S.L.U.), Gamesa Energy Transmission, S.A.U and Gamesa Electric, S.A.U by the Ministry of Science and Technology and other public agencies for financing R&D projects, and which are repayable over 7 or 10 years, following a three-year grace period.



At September 30, 2017 the companies of the Group were using loan agreements amounting to EUR 424 million with certain obligations, as the compliance with financial ratios throughout the life of the agreement relating to the capacity to generate resources in the operations, to the debt level and financial duties. Also, these arrangements establish certain limits to the arrangement of additional borrowings and to the distribution of dividends, as well as other additional conditions. Not meeting these contractual conditions would enable the banks to demand early repayment of the related amounts. At September 30, 2017, the established financial ratios are met and the Group estimates that they will continue to be met in the future.

At September 30, 2017, the Group has one bank borrowing of EUR 25 million tied to fixed interest rates (Note 5.A).

The fair value, taking into consideration the counterparty credit risk, of bank borrowings at September 30, 2017 is similar to the carrying value since the debt is subject to variable interest rates and market spreads (Note 4.J).

At September 30, 2017 and December 31, 2016, the sensitivity of the market value of bank borrowings in relation to interest rate changes is as follows:

Thousands of euros	Interest rate change			
	09.30.2017		12.31.2016	
	+0,25%	-0,25%	+0,25%	-0,25%
Change in the value of the debt (*)	2,626	(2,626)	4	(4)

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

At September 30, 2017 and December 31, 2016, the sensitivity of the market value of foreign currency bank borrowings in relation to exchange rate and interest rate changes is as follows:

Thousands of euros	09.30.2017				12.31.2016			
	Change in the interest rate		Change in Exchange rate (EUR/foreign currency)		Change in the interest rate		Change in Exchange rate (EUR/foreign currency)	
	+0.25%	-0.25%	+5%	-5%	+0.25%	-0.25%	+5%	-5%
<b>Change in the value of the debt (*)</b>								
Indian Rupee	363	(363)	10,029	(11,084)	-	-	-	-
Chinese Yuan	43	(43)	910	(1,005)	-	-	-	-
Swedish Krona	3	(3)	211	(234)	-	-	-	-
Danish Krone	4	(4)	81	(89)	4	(4)	85	(94)
US Dollar	2	(2)	225	(249)	-	-	-	-
Philippine Peso	1	(1)	63	(69)	-	-	-	-

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

The Group hedges part of the risk associated with the volatility of cash flows relating to the interest payments on borrowings tied to floating interest rates through derivative financial instruments (Notes 5.A and 22).

## 22. Derivative financial instruments

The SIEMENS GAMESA Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly foreign currency and interest rate risk. The detail of the balances that represent the valuation of derivatives in the Consolidated Balance Sheets at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017			
	Current		Non-current	
	Assets (Note 13)	Liabilities (Note 13)	Assets (Notes 13 and 14)	Liabilities (Note 13)
<b>Interest rate hedges</b>				
Cash-flow hedges	29	-	281	2,300
<b>Electric prices hedges</b>				
Cash-flow hedges	-	-	-	711
<b>Foreign currency hedges</b>				
Cash-flow hedges	26,264	26,168	58,552	2,158
Fair value hedges	-	61	-	-
<b>Other derivatives</b>				
Foreign currency derivatives	35,770	37,800	6,037	4,003
Embedded derivatives	16,435	18,883	15,302	6,125
Other derivatives	179	1	-	-
<b>Total</b>	<b>78,677</b>	<b>82,913</b>	<b>80,172</b>	<b>15,297</b>

Thousands of euros	12.31.2016			
	Current		Non-current	
	Assets (Note 13)	Liabilities (Note 13)	Assets (Notes 13 and 14)	Liabilities (Note 13)
<b>Interest rate hedges</b>				
Cash-flow hedges	-	-	-	-
<b>Electric prices hedges</b>				
Cash-flow hedges	-	-	-	-
<b>Foreign currency hedges</b>				
Cash-flow hedges	28,162	34,194	54,793	15,642
Fair value hedges	1,050	2,387	-	-
<b>Other derivatives</b>				
Foreign currency derivatives	20,725	22,636	1,811	19,304
Embedded derivatives	5,951	3,226	12,649	2,581
Other derivatives	838	6	-	-
<b>Total</b>	<b>56,726</b>	<b>62,449</b>	<b>69,253</b>	<b>37,527</b>

In the year ended September 30, 2017, the SIEMENS GAMESA Group recognised an expense of EUR 754 thousands (EUR 0 in the year ended December 31, 2016) under "Interest expenses" and an income of EUR 4,197 thousands (income of EUR 25,879 thousands in the year ended December 31, 2016) under "Cost of Sales" of the Consolidated Statement of Profit and Loss. These amounts have been reclassified from "Equity - Unrealised asset and liability revaluation reserve" (Note 19.C), under which they had previously been booked.

The SIEMENS GAMESA Group uses derivatives as foreign currency hedges to mitigate the possible volatility effect of exchange rate fluctuations on future cash flows from transactions and loans in currencies other than the functional currency of the company concerned. In addition, the Group designates hedges for the exchange rate risk deriving from certain intragroup monetary transactions carried out by companies with different functional currencies. At September 30, 2017 and December 31, 2016 the total nominal value hedged by exchange rate hedges is as follows:

Currency	Thousands of euros	
	09.30.2017	12.31.2016
Danish Krone	3,862,446	1,874,143
Sterling Pound	524,591	684,563
US Dollar	153,381	117,802
South African Rand	8,038	134,815
Chinese Yuan	140,859	-
Indian Rupee	115,867	-
Australian Dollar	31,737	13,753
Japanese Yen	42,721	43,821
Canadian Dollar	58,144	47,971
Brazilian Real	14,795	-
Turkish Lira	20,710	-
Moroccan Dirham	19,219	-
Norwegian Krone	59,553	24,196
Mexican Peso	12,381	-
Swedish Krona	52,891	6,501
Romanian Leu	11,406	-
Others	56,113	6,560
<b>Total</b>	<b>5,184,852</b>	<b>2,954,125</b>

In addition, the SIEMENS GAMESA Group arranges interest rate hedges in order to mitigate the effect of interest rate fluctuations on future cash flows from loans tied to variable interest rates. At September 30, 2017 and December 31, 2016, the nominal value of the liabilities hedged by interest rate hedges amounted to EUR 217,260 thousands and EUR 0, respectively.

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

09.30.2017	Estimated period of cash-flows	
	2018	2019 and subsequent
Interest rate hedges	1,120	216,140

12.31.2016	Estimated period of cash-flows	
	2017	2018 and subsequent
Interest rate hedges	-	-

No significant ineffectiveness has been detected in the hedges designated by the Group at September 30, 2017 and December 31, 2016.

## A. CREDIT RISK

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

	09.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
<b>By Geographical area</b>				
Germany	97,399	62%	102,868	82%
Spain	12,833	8%	-	-
Other European Union countries	27,379	17%	17,811	14%
Rest of the world	21,238	13%	5,300	4%
<b>Total</b>	<b>158,849</b>	<b>100%</b>	<b>125,979</b>	<b>100%</b>
<b>By Counterparty</b>				
Financial institutions	25,350	16%	1,843	1%
Related parties	101,704	64%	105,536	84%
Other institutions	31,795	20%	18,600	15%
<b>Total</b>	<b>158,849</b>	<b>100%</b>	<b>125,979</b>	<b>100%</b>

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

	09.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
Risks rated A or A-	121,253	76%	107,379	85%
Risks rated BBB+	7,771	5%	272	0%
Risks rated BBB	6,170	4%	-	0%
Risks rated BBB- or less	23,655	15%	18,328	15%
<b>Total</b>	<b>158,849</b>	<b>100%</b>	<b>125,979</b>	<b>100%</b>

## B. MARKET RISK

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

Thousands of euros	Percentage change in interest rate			
	2017		2016	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	100	(100)	-	-

Thousands of euros	Percentage change in exchange rates			
	2017		2016	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	3,032	(3,032)	1,300	(1,300)

### C. MATURITY OF DERIVATIVE LIABILITIES

The maturity of derivative liabilities are as follows:

Thousands of euros	09.30.2017			
	Derivative Liabilities			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	2,168	66	66
Electric prices hedges	-	-	210	501
Foreign currency hedges	26,229	1,280	643	235
Other derivatives	56,684	5,943	3,203	982
<b>Total</b>	<b>82,913</b>	<b>9,391</b>	<b>4,122</b>	<b>1,784</b>

Thousands of euros	12.31.2016			
	Derivative Liabilities			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	-	-	-
Electric prices hedges	-	-	-	-
Foreign currency hedges	36,581	6,058	8,585	999
Other derivatives	25,868	4,587	1,905	15,393
<b>Total</b>	<b>62,449</b>	<b>10,645</b>	<b>10,490</b>	<b>16,392</b>

### 23. Provisions

Thousands of euros Year 2017	Beginning Balance	Additions due to first-time consolidation	Period provisions charged to Statement of P&L (Note 30.E)	Provisions used for their intended purpose	Differences on exchange in foreign currency	09.30.2017	Thereof non- current
Warranties	1,195,593	910,307	299,391	(428,732)	(42,579)	<b>1,933,980</b>	1,414,970
Order related losses and risks	35,351	263,982	28,836	(18,115)	(3,206)	<b>306,848</b>	251,368
Other	16,497	53,187	4,123	(6,926)	(2,582)	<b>64,299</b>	35,302
<b>Total</b>	<b>1,247,441</b>	<b>1,227,476</b>	<b>332,350</b>	<b>(453,773)</b>	<b>(48,367)</b>	<b>2,305,127</b>	<b>1,701,640</b>

Thousands of euros Year 2016	Beginning Balance	Additions due to first-time consolidation	Period provisions charged to Statement of P&L (Note 30.E)	Provisions used for their intended purpose	Differences on exchange in foreign currency	12.31.2016	Thereof non- current
Warranties	1,151,706	-	434,085	(398,972)	8,774	<b>1,195,593</b>	875,744
Order related losses and risks	11,656	-	38,026	(19,294)	4,963	<b>35,351</b>	8,396
Other	13,806	-	2,827	(2,349)	2,213	<b>16,497</b>	3,533
<b>Total</b>	<b>1,177,168</b>	-	<b>474,938</b>	<b>(420,615)</b>	<b>15,950</b>	<b>1,247,441</b>	<b>887,673</b>

Provisions are recognised if SIEMENS GAMESA Group has a present legal or constructive obligation as a result of past events, which will lead to a probable outflow of resources embodying economic benefits in the future and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the present value of the expenditure required to settle the present obligation. The majority of the provisions of the Group are generally expected to result in cash outflows during the next 1 to 10 years.

Warranty provisions are related to repair and replacement costs resulting from component defects or functional errors, which are covered by SIEMENS GAMESA Group during the warranty period. In addition to this, non-recurring provisions derived from various factors, such as customer complaints and quality issues that, in general, relate to situations in which the expected failure rates are above normal levels, are recorded.

SIEMENS GAMESA recognises provisions for order related losses and risks when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In this regard, in relation to loss incurring contracts, the amount as at September 30, 2017 includes, fundamentally, expected losses of an onerous contracts signed in previous years by a SIEMENS GAMESA Group subsidiary (Adwen) for the construction of an offshore wind farm in northern Europe, being also included, under first time consolidation additions.

Other provisions include various types of provisions, such as provisions for legal proceedings or personnel-related provisions.

## **24. Post-employment benefits**

The Group provides post-employment defined benefit plans or defined contribution plans to certain Group employees.

The expense recognised for post-employment defined contribution plans amounts to EUR 44.3 million during the current reporting period.

The Group provides post-employment defined benefit plans to almost all of the Group's employees in Germany. Outside Germany predominantly service gratuities and severance indemnities from legislative requirements or industry arrangements are provided by a limited number of entities in several jurisdictions.

The Group's major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement), those plans are managed in the interest of the beneficiaries.

The defined benefit plans cover about 3,000 participants, virtually completely constituted by active employees only.

In Germany, the Group provides pension benefits through the plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of the Group's active employees participate in the BSAV. Those benefits are predominantly based on contributions made by the Group and returns earned on such contributions, subject to a minimum return warranted by the Group. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases. However, these frozen plans still expose the Group to investment risk, interest rate risk and longevity risk. No legal or regulatory minimum funding requirements apply. Instead, the pension plans are funded via contractual trust arrangements (CTA).

## A. DEVELOPMENT OF THE DEFINED BENEFIT PLANS

Thousands of euros	Defined benefit obligation (DBO)		Fair value of plan assets		Net defined benefit liability	
	(I)		(II)		(I)-(II)	
	2017	2016	2017	2016	2017	2016
<b>Balance at the beginning of the year</b>	<b>30,227</b>	<b>26,189</b>	<b>23,145</b>	<b>23,020</b>	<b>7,082</b>	<b>3,169</b>
Current service cost	3,433	3,781	-	-	3,433	3,781
Interest expense	266	257	-	-	266	257
Interest income	-	-	125	125	(125)	(125)
<b>Components of defined benefit recognised in the Consolidated Statement of Profit and Loss</b>	<b>3,699</b>	<b>4,038</b>	<b>125</b>	<b>125</b>	<b>3,574</b>	<b>3,913</b>
Return on plan assets excluding amounts included in net interest income and net interest expenses	-	-	144	-	(144)	-
Actuarial (gains) losses	2,209	-	-	-	2,209	-
<b>Remeasurements recognised in the Consolidated Statement of Other Comprehensive Income</b>	<b>2,209</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>2,064</b>	<b>-</b>
Employer contributions	-	-	59	-	(59)	-
Benefits paid	(24)	-	-	-	(24)	-
Foreign currency translation effects	(20)	-	-	-	(21)	-
	<b>(44)</b>	<b>-</b>	<b>59</b>	<b>-</b>	<b>(106)</b>	<b>-</b>
<b>Balance at year end</b>	<b>36,091</b>	<b>30,227</b>	<b>23,473</b>	<b>23,145</b>	<b>12,617</b>	<b>7,082</b>
thereof:						
Germany	33,653	27,900	22,412	21,890	11,241	6,010

The remeasurement comprises actuarial (gains) and losses resulting from:

Thousands of euros	2017	2016
Changes in demographic assumptions	19	-
Changes in financial assumptions	(812)	-
Experience (gains) losses	3,002	-
<b>Total</b>	<b>2,209</b>	<b>-</b>

## B. ACTUARIAL ASSUMPTIONS

The weighted-average discount rate used for the actuarial valuation of the DBO of the German plans was 2.00% (prior year 1.81%). For Germany, Heubeck Richttafeln 2005G (modified) have been applied. The pension progression rate was 1.50% in Germany (same as prior year).

### C. SENSITIVITY ANALYSIS

A one-half-percentage-point change of the above assumptions would result in the following increase (decrease) of the German DBO:

Thousands of euros	Effect on DBO (Germany) due to one-half percentage-point	
	Increase	Decrease
	2017	2017
Discount rate	(1,894)	2,136
Rate of pension progressions	577	(522)

The (German) DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of EUR 461 thousands.

### D. DISAGGREGATION OF PLAN ASSETS

Thousands of euros	2017	2016
Mixed funds	22,417	2,155
Insurance	1,056	958
Cash	-	20,032
<b>Total</b>	<b>23,473</b>	<b>23,145</b>

Virtually all funds have quoted prices in active markets and are Investment grade.

### E. FUTURE CASH FLOWS

Employer contributions expected to be paid to Funded Defined Benefit Plans in year 2018 amount to approximately EUR 4 million. Over the next 10 years, average annual benefit of approximately EUR 0.7 million and EUR 0.5 million respectively, are expected as of September 30, 2017 and December 31, 2016. The weighted average discount rate duration of the German DBO is of approximately 12.5 years.

## 25. Other non-current liabilities

The breakdown of "Other non-current liabilities" in the accompanying Consolidated Balance Sheets is as follows:

Thousands of euros	09.30.2017	12.31.2016
Long-term accruals	6,236	8,480
Deferred income	8,168	8,720
Other non-current liabilities	1,902	860
<b>Total</b>	<b>16,306</b>	<b>18,060</b>



## 26. Income tax expense/(income)

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

Also since 2009, SIEMENS GAMESA and its subsidiary companies are resolved to be under the Group's Special Regime of Value Added Tax included in chapter IX of the Provincial Law 7/1994 of November 9 of Vizcaya which regulate this tax at its basic level, being SIEMENS GAMESA the Parent company of the Tax Group.

Siemens Gamesa Renewable Energy, S.A. (Parent company)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Siemens Gamesa Renewable Energy Europa, S.L.	Sistemas Energéticos Fonseca, S.A.U.
Siemens Gamesa Renewable Energy Wind Farm, S.A.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Siemens Gamesa Renewable Energy International Wind Services, S.A.	Sistemas Energéticos Balazote, S.A.U.
Siemens Gamesa Renewable Energy Invest, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
International Windfarm Developments II, S.L.	Sistemas Energéticos Monte Genaro, S.L.U.
Sistemas Energéticos Tablero Tabordo, S.L.	Sistemas Energéticos Argañoso, S.A.U.
Sistemas Energéticos Tarifa, S.L.U.	Sistemas Energéticos Carril, S.A.U.
International Windfarm Development IV, S.L.	Sistemas Energéticos Jaralón, S.A.U.
International Windfarm Development V, S.L.	Sistemas Energéticos Lomas del Reposo, S.A.U.
International Windfarm Development VII, S.L.	International Windfarm Development VI, S.L.
Siemens Gamesa Renewable Finance, S.A.	International Windfarm Development IX, S.L.
Parque Eólico Dos Picos, S.L.	Sistemas Energéticos del Umia, S.A.
Sistemas Energéticos Cuerda Gitana, S.A.	Sistemas Energéticos Cuntis, S.A.
Sistemas Energéticos Loma del Viento, S.A.	Sistemas Energéticos Barandón, S.A.
Sistemas Energéticos Tomillo, S.A.	Sistemas Energéticos Alcohujate, S.A.
Sistemas Energéticos Sierra de las Estancias, S.A.	Sistemas Energéticos La Plana, S.A.
Sistemas Energéticos Ladera Negra, S.A.	Sistemas Energéticos Campoliva, S.A.
Sistemas Energéticos Alto da Croa, S.A.	Sistemas Energéticos Cabezo Negro, S.A.
Sistemas Energéticos Cabanelas, S.A.	Sistemas Energéticos La Cámara, S.L.
Sistemas Energéticos Edreira, S.A.	

The same entities, except the ones included in the next table are covered by the Special Regime of the Group of Entities of Value Added Tax:

Siemens Gamesa Renewable Energy International Wind Services, S.A.	International Windfarm Development VII, S.L.
International Windfarm Development IV, S.L.	Siemens Gamesa Renewable Finance, S.A.
International Windfarm Development V, S.L.	Siemens Gamesa Renewable Energy Invest, S.A.
International Windfarm Development VI, S.L.	Sistemas Energéticos Tablero Tabordo, S.L.
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Sistemas Energéticos Loma del Viento, S.A. Unipersonal
Sistemas Energéticos Tomillo, S.A. Unipersonal	Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Sistemas Energéticos Alto da Croa, S.A. Unipersonal
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Sistemas Energéticos Edreira, S.A. Unipersonal
Sistemas Energéticos del Umia, S.A. Unipersonal	Sistemas Energéticos Cuntis, S.A. Unipersonal
Sistemas Energéticos Barandón, S.A.	Sistemas Energéticos Alcohujate, S.A. Unipersonal
Sistemas Energéticos La Plana, S.A.	Sistemas Energéticos Campoliva, S.A. Unipersonal
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Sistemas Energéticos La Cámara, S.L.

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

Thousands of euros	2017	2016
Current taxes	140,156	5,496
Deferred taxes	(150,373)	55,477
<b>Income tax expense/(income)</b>	<b>(10,217)</b>	<b>60,973</b>

The current income tax expense (benefit) in the year ended September 30, 2017 and December 31, 2016 includes adjustments recognised for current tax of prior years amounting to EUR (337) thousands and EUR 279 thousands, respectively. The deferred tax expense (benefit) in the year ended September 30, 2017 and December 31, 2016 includes tax effects of the origination and reversal of temporary differences of EUR (142,614) thousands and EUR 43,907 thousands, respectively.

Income tax expense (current and deferred) differs from the amounts computed by applying the combined statutory Spanish income tax rate of 28% as follows:

Thousands of euros	2017	2016
<b>Income before taxes</b>	<b>(22,996)</b>	<b>504,011</b>
Expected income tax expense / (income)	(6,439)	141,123
Increase (decrease) resulting from		
- Non-deductible losses and expenses	14,999	1,260
- Tax-free income	(18,558)	(48)
- Taxes from prior years	1,283	(793)
- Changes in realizability of deferred tax assets and tax credits	18,706	-
- Changes in tax rates	(220)	155
- Foreign tax rate differential	(18,252)	3,256
- Taxes borne by Siemens Regional Companies before SWP carve-out (*)	-	(86,675)
- Other, net	(1,736)	2,695
<b>Actual income tax expense</b>	<b>(10,217)</b>	<b>60,973</b>

(\*) Income taxes relating to the pre-existing legal entities and the SWP NewCos have been included from their respective carve-out date. Before carve-out, income tax expenses have been borne by the Siemens Regional Companies and are therefore not included in the statement of Profit and Loss of the SIEMENS GAMESA Group. Had the carve-out been completed in all countries before January 1, 2016, the additional tax expense of the SIEMENS GAMESA reporting Group for the year ended December 31, 2016 would be approximately EUR 86,675 thousands.

## 27. Deferred taxes

The difference between the tax charge allocated to each year and the tax payable for that year, recognised under "Deferred tax assets" and "Deferred tax liabilities" on the asset and liability sides, respectively, of the Consolidated Balance Sheet at September 30, 2017 and December 31, 2016 arose as a result of the following circumstances:

- The different accounting and tax methods for recognising certain provisions.
- Temporary differences deriving from the limit of deducting financial expenses for tax purposes.
- The preliminary Purchase Price Allocation (PPA) effect.

The breakdown of "Deferred tax assets" and "Deferred tax liabilities" on a gross basis in the accompanying Consolidated Balance Sheet at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
<b>Assets</b>		
Non-current and current assets	196,875	27,614
Liabilities	321,983	175,856
Other	993	68
Tax loss carryforwards	165,252	11,659
Tax credit carryforwards	78,962	-
<b>Deferred tax assets</b>	<b>764,065</b>	<b>215,197</b>
<b>Liabilities</b>		
Non-current and current assets	891,760	145,385
Liabilities	41,237	1,991
Other	5,815	-
<b>Deferred tax liabilities</b>	<b>938,812</b>	<b>147,376</b>
<b>Total deferred tax assets (liabilities), net</b>	<b>(174,747)</b>	<b>67,821</b>

The change in Deferred taxes substantially relates to the first-time consolidation of SIEMENS GAMESA (Note 1.B).

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

Deferred tax assets have not been recognised with respect of the following items (gross and net amounts):

Thousands of euros	09.30.2017	12.31.2016
Deductible temporary differences	375,425	-
Tax loss carryforwards	1,630,549	-
<b>Total (gross amounts)</b>	<b>2,005,974</b>	<b>-</b>
<b>Thousands of euros</b>	<b>09.30.2017</b>	<b>12.31.2016</b>
Tax credit carryforwards, net	184,304	-
<b>Total (net amounts)</b>	<b>184,304</b>	<b>-</b>

As of September 30, 2017, EUR 644,875 thousands of the unrecognised tax loss carryforwards expire over the periods to 2034 and EUR 180,028 thousands of the unrecognised tax credits expire over the periods to 2031.

The SIEMENS GAMESA Group has not recognised deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of EUR 802,447 thousands and EUR 95,212 thousands, respectively in years 2017 and 2016 because the earnings are intended to be permanently reinvested in the subsidiaries.

Including items charged or credited directly to equity and the expense (benefit) from continuing and discontinued operations, the income tax expense (benefit) consists of the following:

Thousands of euros	09.30.2017	12.31.2016
Continuing operations	(10,217)	60,973
Income and expenses recognised directly in equity	14,638	5,089
<b>Total</b>	<b>4,421</b>	<b>66,062</b>

## 28. Other current assets and liabilities

The detail of other current assets and liabilities at September 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	09.30.2017	12.31.2016
<b>Other current tax assets</b>		
Other tax receivables	289,091	34,437
<b>Non-tax related current assets</b>		
Prepaid expenses	45,238	28,450
Other current assets	7,127	708
<b>Total</b>	<b>341,456</b>	<b>63,595</b>

Thousands of euros	09.30.2017	12.31.2016
<b>Other current tax liabilities</b>		
Other tax liabilities	169,890	39,030
<b>Non-tax related current liabilities</b>		
Billings in excess of costs (Note 18)	1,566,048	1,505,141
Current liabilities to personnel	275,808	159,143
Other current liabilities	633,012	261,675
<b>Total</b>	<b>2,644,758</b>	<b>1,964,989</b>

## 29. Commitments, warranties to third parties and contingent liabilities

At September 30, 2017, the SIEMENS GAMESA Group had provided warranties to third parties amounting to EUR 90,632 thousands (EUR 12,362 thousands at December 31, 2016). The breakdown by type of the warranties provided by the SIEMENS GAMESA Group is as follows:

Thousands of euros	09.30.2017	12.31.2016
Financing Warrantied	75,118	12,362
Warranties provided to the government	15,514	-
<b>Total</b>	<b>90,632</b>	<b>12,362</b>

The SIEMENS GAMESA Group considers that the liabilities, if any, which might arise from the obligations and warranties shown in the table above in addition to those for which provisions had been recognised at September 30, 2017 and December 31, 2016 would not be significant.

In addition, the SIEMENS GAMESA Group provides credit warranties which cover the financial obligations of third parties generally in cases where the SIEMENS GAMESA Group is the vendor and (or) contractual partner or the SIEMENS GAMESA Group is liable for obligations of associated companies accounted for using the equity method. Total outstanding credit warranties amount to EUR 307 thousands as at September 30, 2017 and EUR 344 thousands as at December 31, 2016.

Furthermore, the SIEMENS GAMESA Group issues warranties of third-party performance for project partners. In the event of non-fulfilment of contractual obligations by the partner(s), the SIEMENS GAMESA Group will be required to pay up to an agreed-upon maximum amount. The total amount of warranties of third-party performance as at September 30, 2017 is EUR 1,500 thousands (EUR 1,554 thousands as at December 31, 2016).

Additionally, in line with widespread industry practice, the Group grants warranties and compensation commitments to cover obligations arising from the ordinary course of its business, coming from the sale of assets and from potential liabilities of its activities. As at the date of these Consolidated Financial Statements, the probability of a breach that would trigger a liability for these commitments to any material extent is remote.

### 30. Revenue and expense

#### **A. REVENUE AND OTHER OPERATING INCOME**

The detail of these headings in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

Thousands of euros	2017	2016
Sale of goods	5,763,818	5,100,222
Rendering of services	774,380	1,063,674
<b>Net revenues</b>	<b>6,538,198</b>	<b>6,163,896</b>

#### **B. PROCUREMENTS**

The detail of "Procurements" in the Consolidated Statement of Profit and Loss by nature for 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Acquisitions of raw materials and other supplies	4,499,391	4,019,571
Changes in inventories	(406,548)	(132,152)
<b>Total</b>	<b>4,092,843</b>	<b>3,887,419</b>

#### **C. STAFF COSTS**

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss by nature is as follows:

Thousands of euros	2017	2016
Wages and salaries	1,020,413	969,551
Social welfare contributions	103,411	81,062
Expenses related to Pension Plans	48,126	67,432
<b>Total</b>	<b>1,171,950</b>	<b>1,118,045</b>

Linked to the achievement of strategic medium-and long-term objectives, the Board of GAMESA's approved in 2016 a 2016-2017 incentive of which were beneficiaries key personnel in number of approximately 100 employees, linked to achieving an operating result (EBIT) of the period from January 1, 2016, up to the date of effectiveness of the Merger. This incentive plan includes a period of permanence for their full payment of two years. Based on this agreement, and during the current reporting period, the Company recognised EUR 2.52 million cost.

The average number of employees and Directors in 2017 and 2016, by professional category, was as follows:

Categories	2017	2016
Board Members	9	-
Executive / Senior management	240	114
Managers	2,516	1,382
Individual contributor	19,667	12,507
<b>Total</b>	<b>22,432</b>	<b>14,003</b>

The distribution of employees by gender in September 30, 2017 and December 31, 2016 is as follows:

	09.30.2017		
	Male	Female	Total
Board Members	6	6	12
Executive / Senior management	260	29	289
Managers	2,395	592	2,987
Individual contributor	18,175	4,026	22,201
<b>Total</b>	<b>20,836</b>	<b>4,653</b>	<b>25,489</b>

	12.31.2016		
	Male	Female	Total
Board Members	-	-	-
Executive / Senior management	121	9	130
Managers	1,157	280	1,437
Individual contributor	11,110	2,491	13,601
<b>Total</b>	<b>12,388</b>	<b>2,780</b>	<b>15,168</b>

The Executive Management is formed by 7 members at September 30, 2017, all of them male (0 member at December 31, 2016).

The average number of employees of the SIEMENS GAMESA Group in 2017 and 2016, with a disability equal to or greater than 33%, by category, was as follows:

Categories	2017	2016
Management personnel	1	-
Employees	17	-
<b>Total</b>	<b>18</b>	<b>-</b>

This average number of employees with a disability equal to or greater than 33% is referred to the employees of the Spanish companies of the consolidated scope.

#### **D. OTHER OPERATING EXPENSES**

The breakdown of this balance in the 2017 and 2016 by nature is as follows:

	Thousands of euros	
	2017	2016
Rent and royalties	340,151	222,724
Professional services	154,147	88,082
Insurance	38,223	12,522
Communications, security and advertising	61,328	35,808
Utilities	22,998	3,706
Travel Expenses	85,129	72,615
Training and staff development	16,686	16,328
Other services	123,646	8,253
Taxes and other	39,535	2,494
<b>Total</b>	<b>881,843</b>	<b>462,532</b>

At September 30, 2017, the future minimum lease payments under non-cancellable operating leases arranged by SIEMENS GAMESA amount approximately to EUR 659 million (EUR 548 million at December 31, 2016). The due dates for the operating lease instalments that cannot be cancelled are as follows:

As at 09.30.2017	Thousands of euros		
	2018	2019-2022	2023 Onwards
Operating lease instalments that cannot be cancelled	91,411	218,913	349,097

As at 12.31.2016	Thousands of euros		
	2017	2018-2021	2022 onwards
Operating lease instalments that cannot be cancelled	69,845	145,709	332,423

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

#### **E. DEPRECIATION AND AMORTIZATION CHARGE AND PROVISIONS**

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss by nature is as follows:

	Thousands of euros	
	2017	2016
Property, plant and equipment depreciation charge (Note 11)	188,768	143,533
Intangible asset amortization charge (Note 10)	249,536	17,899
<b>Depreciation and amortization</b>	<b>438,304</b>	<b>161,432</b>
Change in operating provisions for warranties and others (Note 23) (*)	332,350	474,938
Change in write-downs of inventories (Note 15) (*)	98,996	680
Change in other trade provisions (Note 16)	7,657	4,745
<b>Provisions</b>	<b>439,003</b>	<b>480,363</b>
<b>Depreciation and provisions</b>	<b>877,307</b>	<b>641,795</b>

(\*) Included under the caption "procurements".

#### **F. OTHER FINANCIAL INCOME (EXPENSES), NET**

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

	Thousands of euros	
	2017	2016
Profits (loss) from available-for-sale assets (Note 14.A)	12	2
Other finance and similar income / (loss)	(1,467)	2,339
<b>Total</b>	<b>(1,455)</b>	<b>2,341</b>

## G. INTEREST INCOME

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

	Thousands of euros	
	2017	2016
Interest income from cash in banks and receivables from third parties	4,880	11
Other interest income / (loss)	4,509	(684)
<b>Total</b>	<b>9,389</b>	<b>(673)</b>

## H. INTEREST EXPENSES

The breakdown of this balance in the 2017 and 2016 Consolidated Statement of Profit and Loss is as follows:

	Thousands of euros	
	2017	2016
Interest expenses from liabilities to third parties	20,599	1,018
Other interest expenses	10,738	4,794
<b>Total</b>	<b>31,337</b>	<b>5,812</b>

## 31. Directors' remuneration

In 2017, the Directors of SIEMENS GAMESA Board earned fixed and variable salaries, attendance allowances, and other items amounting to approximately EUR 5,378 thousands. The compensation for the Directors covers the period from the Merger effective date April 3, 2017 until September 30, 2017. The breakdown is as follows:

Thousands of euros	2017
<b>Members of the Board of Directors</b>	
<b>Type of remuneration</b>	
Fixed compensation	1,065
Annual variable compensation	1,078
Long-term variable compensation	-
Attendance allowances	240
	<b>2,383</b>
<b>Others</b>	<b>2,995</b>
<b>Total</b>	<b>5,378</b>

Siemens Wind Power had no equivalent Board of Directors before the Merger with GAMESA. The remuneration of the prior year is not comparable and therefore not disclosed.

The concept of Others at September 30, 2017 corresponds to (i) the amount of the premiums paid for the coverage of death and disability insurances amounting to EUR 10 thousands; (ii) the allocation of the Group insurance for executives, directors and other employees in amount of EUR 20 thousands; and (iii) contract termination costs in amount of EUR 2,965 thousands.

No advances or loans were granted to current or former Board members and there are no pension obligations to them. Additionally the CEO is entitled to join a supplementary pension scheme, which will be formalised in the coming months. On the other hand, he has been awarded share plans granting rights over shares of Siemens AG as of September 30, 2017, being the cost born by Siemens AG.



The Directors' remuneration disclosed above does not include the provision of the 2016-17 incentive which the former GAMESA Chairman and CEO is beneficiary for the total estimated maximum amount of EUR 942 thousands. This remuneration, once the measurement of the objectives is made by the governing bodies, will be effective according to the rules of this incentive, which in general establish that will be paid during the next 2 years. In addition, the remuneration above neither includes the 50% of the non-competence clause for which the former GAMESA Chairman and CEO is beneficiary in an amount of EUR 331 thousands.

Finally, the current CEO has a contractual agreement to receive financial compensation in the event of termination for reasons attributable to the Company. The financial compensation agreed for such termination consists of the payment of a compensation up to a maximum of his annual fixed cash compensation according to the new Board members remuneration policy approved in the General Shareholders meeting of June 20, 2017.

At September 30, 2017 the members of the Board of Directors of Siemens Gamesa Renewable Energy, S.A. and certain persons related to them as defined in the Spanish Companies Act held ownership interests in the following companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Company's purpose. Also, following is a breakdown of the positions held and functions discharged at those companies:

Owner	Investee company	Line of Business	Number of Shares	Functions
Tacke, Markus	Siemens AG	Industrial, health, energy, and infrastructure sector	10,195	-
Sen, Michael	Siemens AG (1)	Industrial, Health, Power & Utilities and Infrastructure Sectors	12,904	Member of the Managing Board
Von Schumann, Mariel	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	8,852	Chief of Staff Governance and Markets Director
Rubio Reinoso, Sonsoles	Iberdrola S.A.	Power & Utilities	24,811	Internal Audit Director
García García, Rosa María	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	5,451	President and CEO of Siemens, S.A. and President of Siemens Holding, S.L.U.
Thomas, Ralf	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	16,241	Member of the Managing Board and CFO
Villalba Sánchez, Francisco Javier	Iberdrola S.A. (2)	Power & Utilities	-	-
Codes Calatrava, Gerardo	Iberdrola S.A. (3)	Power & Utilities	-	Director of Global Regulation Legal Services and Corporate Affairs of the Iberdrola Group
Ciarsolo Arregui, Juan Luis	Iberdrola, S.A. (4)	Power & Utilities	30,284,584	-
Helmrich, Klaus	Siemens AG (5)	Industrial, Health, Power & Utilities and Infrastructure Sectors	19,601	Member of the Managing Board
Rosenfeld, Klaus	Schaeffler AG	Automotive and Industrial Sector	-	CEO
Davis, Lisa	Siemens AG	Industrial, Health, Power & Utilities and Infrastructure Sectors	-	Member of the Managing Board

(1) On March 31, 2017, Mr. Michael Sen has left his charge as CFO of EON SE, and since April 2017 is member of the Board of Directors of Siemens AG.

(2) Mr. Francisco Javier Villalba Sánchez, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on March 29, 2017.

(3) Mr. Gerardo Codes Calatrava, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on April 3, 2017.

- (4) Mr. Juan Luis Ciarso Arregui, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on April 3, 2017.
- (5) Mr. Klaus Helmrich, has left his charge as member of the Board of Directors of Siemens Gamesa Renewable Energy, S.A on May 8, 2017.

The members of the Board of Directors were affected by the following conflicts of interest in 2017:

Sen, Michael. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on June 20, July 26, September 27, and September 29, 2017.

Von Schumann, Mariel. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on April 28, June 20, July 26, September 27, and September 29, 2017.

Rubio Reinoso, Sonsoles. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Iberdrola, S.A. and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 26 and September 13, 2017.

Garcia Garcia, María Rosa. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on April 28, June 20, July 26, September 27, and September 29, 2017.

Thomas, Ralf. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on April 28, June 20, July 26, September 27, and September 29, 2017.

Helmrich, Klaus. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meeting held on April 28, 2017.

Rosenfeld, Klaus. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Schaeffler AG, where he is the CEO, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 26 and September 13, 2017.

Davis, Lisa. In accordance with the procedure established in Article 31 of the Siemens Gamesa Renewable Energy, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with Siemens AG and/or Group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on April 28, June 20, July 26, September 27, and September 29, 2017.

### 32. Remuneration of Senior Management

Excluding those who are simultaneously members of the Board of Directors (whose remuneration is detailed in the Note 31), the compensation paid or payable to members of Senior Management for past employment services is set out in the following table:

Thousands of euros	2017
Salaries and other short-term compensation	4,959
<b>Total</b>	<b>4,959</b>

Siemens Wind Power as acquirer of GAMESA had a different management structure in the previous year. The remuneration of Senior Management is therefore not comparable. The compensation to members of senior management for 2017 is disclosed only and covers the period from the Merger effectiveness date (April 3, 2017).

The remuneration of Senior Management disclosed above does not include the provision charges recognised for the 2016-17 incentive of which members of the Senior Management are beneficiaries. During the current reporting period, those charges amount to EUR 214 thousands. This remuneration will be effective according to the rules of this incentive, which in general establish that will be paid during the next 2 years, once the measurement have been finished by governing bodies.

Certain senior managers are entitled to join a supplementary pension scheme, which will be formalised in the coming months. On the other hand, certain senior managers have been awarded share plans granting rights over shares of Siemens AG as of September 30, 2017, being the cost born by Siemens AG.

In relation to the Senior Management compensations due to labour early termination relationship, the planned policy agreed by the Company is a payment of a maximum of his/her annual fixed cash compensation at the termination date, without prejudice, in any case of pre-existing conditions and the amount that corresponds when applying the labor rules if greater.

In 2017 and 2016 there were no transactions with senior management other than those carried out in the ordinary course of the business.

### 33. Related party balances and transactions

All the significant balances between the consolidated companies and the effect of the transactions between them during the year were eliminated in consolidation. The breakdown of the transactions with related parties which were not eliminated in consolidation in 2017 and 2016 is as follows:

	Thousands of euros							
	Inven- -tories	Recei- -vables	Other financial assets	Payables	Other financial liabilities	Other current liabilities	Sales and services rendered	Purchases and services received
<b>2017</b>								
Siemens AG	-	31,919	-	286,456	-	-	57	388,205
Other Siemens Group entities	-	30,091	-	77,087	-	-	2,166	318,683
<b>Siemens Group</b>	-	<b>62,010</b>	-	<b>363,543</b>	-	-	<b>2,223</b>	<b>706,888</b>
Iberdrola Group	104,256	92,722	-	2,032	-	128,253	392,183	2,842
Windar Renovables	-	28	-	44,072	-	-	69	51,463
VejaMate Offshore Project GmbH	30,291	-	-	-	-	5,883	859,993	-
Galloper Wind Farm Limited	11,271	-	-	182	-	31,061	802,941	-
ZeeEnergie C.V., Amsterdam	-	-	-	-	-	9,848	30,409	-
Buitengaats C.V., Amsterdam	-	-	-	-	-	9,848	30,409	-
OWP Butendiek GmbH & Co. KG	1,825	63	-	-	-	30,767	31,059	-
Others	1,022	25	9,264	2,489	105	7,330	-	10,654
<b>Total</b>	<b>148,665</b>	<b>154,848</b>	<b>9,264</b>	<b>412,318</b>	<b>105</b>	<b>222,990</b>	<b>2,149,286</b>	<b>771,847</b>

	Thousands of euros					
	Inventories	Recei- -vables	Payables	Other current liabilities	Sales and services rendered	Purchases and services received
<b>2016</b>						
Siemens AG	-	547,886	16,761	-	411	307,563
Other Siemens Group entities	-	594,980	93,457	-	1,706	566,127
<b>Siemens Group</b>	-	<b>1,142,866</b>	<b>110,218</b>	-	<b>2,117</b>	<b>873,690</b>
VejaMate Offshore Project GmbH	146,773	-	-	91,474	421,323	-
Galloper Wind Farm Limited	3,840	-	-	115,887	10,277	-
ZeeEnergie C.V., Amsterdam	3,767	-	-	10,540	726,383	-
Buitengaats C.V., Amsterdam	3,767	-	-	10,540	726,383	-
Others	10,096	771	-	31,993	19,263	-
<b>Total</b>	<b>168,243</b>	<b>1,143,637</b>	<b>110,218</b>	<b>260,434</b>	<b>1,905,746</b>	<b>873,690</b>

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

## **A. TRANSACTIONS WITH SIEMENS GROUP**

### *Goods and services purchased*

On June 17, 2016, effective April 3, 2017, SIEMENS GAMESA Renewable Energy, S.A. (then “Gamesa Corporación Tecnológica, S.A.”) and Siemens Aktiengesellschaft (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to SIEMENS GAMESA. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of SIEMENS GAMESA Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although the strategic supply contract will have a minimum duration of at least three (3) years (i.e., until April 3, 2020). The award system warrants that the supplies will be carried out under market conditions, as well as the involvement of and access to other suppliers.

On March 31, 2017, SIEMENS GAMESA Renewable Energy, S.A. (at that time, “Gamesa Corporación Tecnológica, S.A.”), and Siemens Aktiengesellschaft (Siemens) entered into a licensing agreement by virtue of which SIEMENS GAMESA is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of SIEMENS GAMESA Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Accordingly, in the event of change of control, license would expire subject to certain transition periods to discontinue the use of the name and trademark SIEMENS.

Dated on April 28, 2017 Gamesa Corporación Tecnológica, S.A. and Siemens Aktiengesellschaft signed a framework agreement over certain information rights and obligations and related matters concerning the relationship between the parties and certain principles governing the rendering of services between the SIEMENS GAMESA Group and the Siemens Group, as the main shareholder of SIEMENS GAMESA.

By virtue of certain agreements reached as a result of the Merger between SIEMENS GAMESA Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain warranties with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Finally, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party’s competitor.

During the reporting period, the SIEMENS GAMESA Group has purchased supplies for the construction of Wind Turbines from Siemens Group, mainly from the Siemens “Process Industries and Drives” and “Energy Management” Divisions. In addition, Siemens Group has provided services to SIEMENS GAMESA Group based on transitional service agreements such as tax, human resources, legal and treasury services.

### *Warranties provided by Siemens Group*

As at September 30, 2017, Siemens Group has provided warranties to third parties for the performance of the SIEMENS GAMESA Group amounting to EUR 20,850 million (December 31, 2016: EUR 19,034 million).

### *Share-based payments*

Certain employees of the SIEMENS GAMESA Group that have transferred from other Siemens entities participate in share-based payment awards implemented by Siemens AG. Siemens AG delivers the respective shares on behalf of SIEMENS GAMESA. Due to the limited extent of participation in the share-based programs, the effect on the Financial Information was not significant in the years presented.

### *Hedging*

The Group's hedging activities are partially performed via Siemens AG and Siemens Capital Company LLC on an arm's length basis. The consideration is based on the normal market rates. The related receivables and payables are disclosed in the lines "Other (current) financial assets and liabilities".

### *Insurance programme*

At the end of September 2017, SIEMENS GAMESA, as a company member of the Siemens Group, has adhered, with an effective date from October 1, 2017, to the Siemens Group insurance program, which includes all-risk property damages insurance policies, civil liability insurance policies, transport, chartering of ships and all-risk construction insurance policies. If SIEMENS GAMESA lost its status as a company member of Siemens AG Group, it would lose its right to adhere the aforementioned insurance program.

## **B. AGREEMENTS RELATING TO THE WIND TURBINE AND OPERATIONS AND MAINTENANCE SEGMENTS**

The SIEMENS GAMESA Group, through its subsidiary Siemens Gamesa Renewable Energy Eólica, S.L. Unipersonal (former Gamesa Eólica, S.L. Unipersonal) and Iberdrola, S.A., concluded on December 21, 2011 a framework agreement relating to the supply and maintenance of wind turbines. Under that framework agreement, the SIEMENS GAMESA Group and Iberdrola, S.A. have assumed the following commitments:

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

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

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

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

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

In the field of these negotiations, the parties formalized in March 2015 a new framework agreement that resolved the previous one dated on January 1, 2013 for the G8x and on January 1, 2012 for the G4x and G5x, incorporate, on the clauses of these, the amendments referred to above and with effect from January 1, 2014 for a total of 4,383 MW.

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

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

### **C. AGREEMENTS BETWEEN THE SIEMENS GAMESA GROUP AND WINDAR RENOVABLES, S.L.**

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

## **34. Earnings per share**

At September 30, 2017 the average number of ordinary shares used for the calculation of earnings per share is 584,901,456 (Note 19.A) (401,874,595 average number of ordinary shares at December 31, 2016), given that SIEMENS GAMESA has held an average of 1,106,405 treasury shares (0 at December, 2016) (Note 19.E).

The number of ordinary shares in 2016 and until the Merger effective date April 3, 2017 is 401,874,595 shares. The calculation is based on the ordinary shares of the acquirer multiplied by the exchange ratio of 59% established in the Merger agreement. From April 3, 2017, shares are 681,143,382 before the consideration of treasury shares.

The basic earnings per share from continuing operations attributable to the Parent company at September 30, 2017 and December 31, 2016 were as follows:

	09.30.2017	12.31.2016
Net profit from continuing operations attributable to the Parent Company (thousands of euros)	(15,207)	442,903
Average number of outstanding shares	584,901,456	401,874,595
<b>Total basic earnings per share (euros)</b>	<b>(0.03)</b>	<b>1.10</b>

At September 30, 2017 and December 31, 2016, SIEMENS GAMESA, the Parent Company of the SIEMENS GAMESA Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

## **35. Other information**

### **A) INFORMATION REGARDING THE DEFERRAL OF PAYMENTS MADE TO SUPPLIERS**

In accordance with the requirement of the Resolution of January 29, 2016 of the Accounting and Audit Institute in Spain, about the information to include in the notes to the Financial Statements related to the deferral of payments made to suppliers in commercial operations.

The average payment period to suppliers in the year 2017 and 2016 was the following:

Days	2017	2016
Average payment period	46	31
Settled operations ratio	44	35
Pending operations ratio	58	30

Thousands of euros	Amount	
	2017	2016
Total settled payments	534,246	423
Total pending payments	75,139	94

This average payment period is referred to the suppliers of the Spanish companies of the consolidated scope that by its nature are trade payables for the supply of goods and services, so it is included in the figures related to "Trade and other payables" and "Trade and other payables to related companies" in the liabilities of the accompanying Consolidated Balance Sheet.

### 36. Fees paid to auditors

In 2017 and 2016 the fees for the financial audit and other services provided by the auditor of the Group's Consolidated Financial Statements and the fees billed by the auditors of the separate Statutory Financial Statements of the Consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

Year 2017	Thousands of euros	
	Services rendered by EY	Services provided by other audit firms
Audit services	4,498	14
Other attest services	1,290	-
<b>Total audit and related services</b>	<b>5,788</b>	<b>14</b>
Tax advisory services	-	-
Other services	-	-
<b>Total services other companies in the network</b>	<b>-</b>	<b>-</b>
<b>Total professional services</b>	<b>5,788</b>	<b>14</b>

Year 2016	Thousands of euros	
	Services rendered by EY	Services provided by other audit firms
Audit services	297	-
Other attest services	39	-
<b>Total audit and related services</b>	<b>336</b>	<b>-</b>
Tax advisory services	-	-
Other services	-	-
<b>Total services other companies in the network</b>	<b>-</b>	<b>-</b>
<b>Total professional services</b>	<b>336</b>	<b>-</b>

The above table does not include those services provided to the former Gamesa Group from the period of January 1, 2017 to April 2, 2017 for an amount of EUR 301 thousands (EUR 290 thousands relates to audit related services and EUR 11 thousands relates to tax services) of which EUR 290 thousands relates to the holding company (EUR 290 thousands relates to audit related services).



Of the amount relating to the services rendered by the principal auditor, EUR 1.220 thousands relate to audit services provided to SIEMENS GAMESA (EUR 20 thousands in 2016). Likewise, taking into account the corresponding amount related to other attest services provided by the principal auditor, EUR 8 thousands correspond to SIEMENS GAMESA (EUR 0 in 2016).

**37. Subsequent events**

There are no significant subsequent events, except for the November 2017 announcement of further capacity adjustment measures to address changing market conditions, with no impact on the accompanying Consolidated Financial Statements.

**38. Explanation added for translation to English**

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

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
<b>A) FORMER SIEMENS WIND POWER BUSINESS COMPANIES - FULLY CONSOLIDATED</b>			
Siemens Gamesa Renewable Energy A/S	Production/distributing company	Denmark	100%
Siemens Wind Power Blades (Shanghai) Co., Ltd.	Production/distributing company	China	100%
Siemens Wind Power Blades, SARL AU	Production/distributing company	Morocco	100%
Siemens Gamesa Renewable Pty Ltd	Service and distribution company	Australia	100%
Siemens Wind Power GmbH	Service and distribution company	Austria	100%
Siemens Wind Power BVBA	Service and distribution company	Belgium	100%
Siemens Wind Power Energia Eólica Ltda.	Service and distribution company	Brazil	100%
Siemens Gamesa Renewable Energy Limited	Production/distributing company	Canada	100%
Siemens Wind Power SpA	Service and distribution company	Chile	100%
Siemens Gamesa Renewable Energy d.o.o.	Service and distribution company	Croatia	100%
Siemens Gamesa Renewable Energy S.A.S.	Service and distribution company	France	100%
Siemens Wind Power GmbH & Co. KG	Production/distributing company	Germany	100%
Siemens Wind Power Kft.	Service and distribution company	Hungary	100%
Siemens Wind Power Limited	Service and distribution company	Ireland	100%
Siemens Wind Power S.r.l.	Service and distribution company	Italy	100%
Siemens Wind Power B.V.	Service and distribution company	Netherlands	100%
Siemens Gamesa Renewable Energy AS	Service and distribution company	Norway	100%
Siemens Wind Power Sociedad Anonima Cerrada	Service and distribution company	Peru	100%
Siemens Wind Power, Inc.	Service and distribution company	Philippines	100%
Siemens Wind Power Sp. z o.o.	Service and distribution company	Poland	100%
SIEMENS WIND POWER (PTY) LTD	Service and distribution company	South Africa	70%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Republic of Korea	100%
Siemens Wind Power, S.L.	Service and distribution company	Spain	100%
Siemens Wind Power AB	Service and distribution company	Sweden	100%
Siemens Gamesa Renewable Energy Limited	Service and distribution company	Thailand	100%
Siemens Wind Power Rüzgar Enerjisi Anonim Sirketi	Service and distribution company	Turkey	100%
Siemens Gamesa Renewable Energy Limited	Production/distributing company	United Kingdom	100%
Siemens Wind Power Inc.	Production/distributing company	United States	100%
Siemens Wind Power Private Limited	Service and distribution company	India	100%
Siemens Wind Energy, SARL	Service and distribution company	Morocco	100%
Siemens Wind Power Management GmbH	Other	Germany	100%
Siemens Wind Power LLC	Service and distribution company	Egypt	100%
<b>B) FORMER GAMESA COMPANIES - FULLY CONSOLIDATED</b>			
Diversified Energy Transmissions, LLC	Development and distribution company	United States	100%
GM Navarra Wind Energy Pvt Ltd, Chennai	Development and distribution company	India	100%
Kadapa Wind Farms Pvt. Ltd., Chennai	Development and distribution company	India	100%
Kurnool Wind Farms Pvt Ltd, Chennai	Development and distribution company	India	100%
RSR Power Pvt Ltd, Chennai	Development and distribution company	India	100%
Rajgarh Wind Park Private Pvt Ltd, Chennai	Development and distribution company	India	100%
Anantapur Wind Farms Pvt Ltd, Chennai	Development and distribution company	India	100%
Gamesa Wind Tianjin Co., Ltd.	Development and distribution company	China	100%
Gamesa (Beijing) Wind Energy System Development Co, Ltd	Development and distribution company	China	100%
Gamesa Blade Tianjin Co., Ltd.	Development and distribution company	China	100%
Jilin Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Inner Mongolia Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Siemens Gamesa Renewable Finance, S.A.	Finance company	Spain	100%
Gamesa Wind GmbH	Holding company	Germany	100%
International Wind Farm Development IV Limited	Holding company	Hong Kong	100%
Adwen GmbH	Holding company	Germany	100%
Gamesa Wind US, LLC	Holding company	United States	100%
International Wind Farm Development V Limited	Holding company	Hong Kong	100%
Siemens Gamesa Renewable Energy Eólica, S.L.	Holding company	Spain	100%
International Wind Farm Development I Limited	Holding company	Hong Kong	100%
International Wind Farm Development II Limited	Holding company	Hong Kong	100%
International Wind Farm Development VII Limited	Holding company	Hong Kong	100%
Gerr Grupo Energético XXI, S.A. Unipersonal	Holding company	Spain	100%
Navitas Energy Inc	Holding company	United States	97%
Siemens Gamesa Renewable Energy Europa S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Wind Farms, S.A.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Wind Limited	Holding company	United Kingdom	100%
Adwen Offshore, S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy 9REN, S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Invest, S.A.	Holding company	Spain	100%
Siemens Gamesa Renewable Private Limited	Holding company	India	100%
Gamesa Wind Sweden AB	Holding company	Sweden	100%
Siemens Gamesa Renewable Energy Latam, S.L.	Holding company	Spain	100%
Siemens Gamesa Renewable Energy Apac, S.L.	Holding company	Spain	100%
Gamesa Technology Corporation, INC	Holding company	United States	100%
Jalore Wind Park Private Limited, Chennai	Other	India	100%
Bidwal Renewable Private Limited, Chennai	Other	India	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Mathak Wind Farms Private Limited, Chennai	Other	India	100%
Tirupur Renewable Pvt Ltd, Chennai	Other	India	100%
Sanchoe Renewable Private Limited, Chennai	Other	India	100%
Beed Renewable Energy Private Limited, Chennai	Other	India	100%
Tuljapur Wind Farms Private Limited, Chennai	Other	India	100%
Rangareddy Renewable Pvt Ltd	Other	India	100%
Nellore Renewable Pvt Ltd	Other	India	100%
Gadag Renewable Private Limited, Chennai	Other	India	100%
Channapura Renewable Private Limited, Chennai	Other	India	100%
Kutch Renewable Pvt Ltd	Other	India	100%
Uppal Renewable Pvt. Ltd., Chennai	Other	India	100%
Gudadanal Renewable Private Limited	Other	India	100%
Haveri Renewable Private Limited	Other	India	100%
Nirlooti Renewable Private Limited	Other	India	100%
Neelagund Renewable Private Limited	Other	India	100%
Hungund Renewable Private Limited	Other	India	100%
Saunshi Renewable Private Limited	Other	India	100%
Chikkodi Renewable Private Limited	Other	India	100%
Umrani Renewable Private Limited	Other	India	100%
Zalki Renewable Private Limited	Other	India	100%
Hattarwat Renewable Private Limited	Other	India	100%
Gamesa Wind PA, LLC	Other	United States	100%
Siemens Gamesa Renewable Energy International Wind Services, S.A.	Other	Spain	100%
Parques Eólicos del Caribe, S.A.	Other	Dominican Republic	57%
Convertidor Solar Doscientos Noventa y Nueve, S.L.U.	Other	Spain	100%
Convertidor Solar Doscientos Noventa y Siete, S.L.U.	Other	Spain	100%
SEPE de Source de Seves SARL	Other	France	100%
Devarabanda Renewable Energy Pvt. Ltd.	Other	India	100%
Ghatpimpri Renewable Pvt. Ltd.	Other	India	100%
Poovani Wind Farms Pvt. Ltd.	Other	India	100%
Kod Renewable Pvt. Ltd.	Other	India	100%
VIRALIPATTI RENEWABLE Pvt. Ltd.	Other	India	100%
Gagodar Renewable energy Pvt. Ltd.	Other	India	100%
Thoothukudi Renewable Pvt Ltd, Chennai	Other	India	100%
Latur Renewable Private Limited, Chennai	Other	India	100%
Sarkanur Renewable Pvt Ltd, Chennai	Other	India	100%
Osmanabad Renewable Pvt Ltd, Chennai	Other	India	100%
Pugalur Renewable Pvt Ltd, Chennai	Other	India	100%
Dhone Renewable Private Limited, Chennai	Other	India	100%
Bhuj Renewable Private Limited, Chennai	Other	India	100%
Bapuram Renewable Private Limited, Chennai	Other	India	100%
Koppal Renewable Pvt Ltd, Chennai	Other	India	100%
Jodhpur Renewable Pvt Ltd, Chennai	Other	India	100%
Adwen Blades GmbH	Production and distributing company	Germany	100%
AD 8MW GmbH & Co. KG	Production and distributing company	Germany	100%
Adwen Verwaltungs GmbH	Production and distributing company	Germany	100%
Estructuras Metalicas Singulares, S.A. Unipersonal	Production and distributing company	Spain	100%
Adwen France SAS	Production and distributing company	France	100%
Gamesa Energy Transmission, S.A. Unipersonal	Production company	Spain	100%
Pocahontas Wind, LLC	Production company	United States	100%
Gamesa Electric, S.A. Unipersonal	Production company	Spain	100%
EBV Holding Verwaltung GmbH	Project company	Germany	100%
Windfarm Groß Haßlow GmbH	Project company	Germany	100%
Gamesa Energie Deutschland GmbH	Project company	Germany	100%
Windfarm Ringstedt II GmbH	Project company	Germany	100%
Windfarm 35 GmbH	Project company	Germany	100%
Windfarm 40 GmbH	Project company	Germany	100%
Windfarm Ganderkesee-Lemwerder GmbH	Project company	Germany	100%
Windfarm 33 GmbH	Project company	Germany	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L.U.	Project company	Spain	100%
Windfarm 41 GmbH	Project company	Germany	100%
Sistemas Energéticos de Tarifa, S.L. Unipersonal	Project company	Spain	100%
International Wind Farm Development V, S.L.	Project company	Spain	100%
Sistemas Energéticos La Cámara, S.L.	Project company	Spain	100%
Sistemas Energéticos Finca San Juan, S.L.U.	Project company	Spain	100%
Sistemas Energeticos Islas Canarias, S.L.U.	Project company	Spain	100%
International Wind Farm Development IV, S.L.	Project company	Spain	100%
International Wind Farm Development VI, S.L.	Project company	Spain	100%
International Wind Farm Development VII, S.L.	Project company	Spain	100%
SEPE de Mantoche SARL	Project company	France	100%
Sistemas Energéticos La Plana, S.A.	Project company	Spain	90%
Sistemas Energéticos del Sur S.A.	Project company	Spain	70%
SEPE de Pouilly-sur-Vingeanne SARL	Project company	France	100%
Sistemas Energéticos Monte Genaro, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos del Umia, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Project company	Spain	100%
SEPE de Vernierfontaine SARL	Project company	France	100%
SEPE de Songy SARL	Project company	France	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Eoliki Peloponnissou Lakka Energiaki S.A.	Project company	Greece	86%
SEPE de Sommesous SARL	Project company	France	100%
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Campoliva, S.A. Unipersonal	Project company	Spain	100%
SEPE de Cernon SARL	Project company	France	100%
SEPE de Broys SARL	Project company	France	100%
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Curtis, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Tomillo, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Edreira, S.A. Unipersonal	Project company	Spain	100%
SEPE de Saint Bon SARL	Project company	France	100%
Sistemas Energéticos Tablero Taboro, S.L.	Project company	Spain	100%
Sistemas Energéticos Carril, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Fonseca, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Argañoso, S.L. Unipersonal	Project company	Spain	100%
SEPE de Champsevraine, SARL	Project company	France	100%
International Wind Farm Developments IX, S.L.	Project company	Spain	100%
Lindom Vindenergi AB	Project company	Sweden	100%
Sistemas Energéticos Serra de Lourenza, S.A. Unipersonal	Project company	Spain	100%
Siemens Gamesa Renewable Energy UK Limited	Project company	United Kingdom	100%
SEPE de Margny SARL	Project company	France	100%
Bargrennan Renewable Energy Park Limited	Project company	United Kingdom	100%
Siemens Gamesa Renewable Energy AE	Project company	Greece	100%
Sistemas Energéticos Mansilla, S.L.	Project company	Spain	78%
Parque Eólico Dos Picos, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Sierra del Carazo, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Project company	Spain	100%
SEPE de Romigny SARL	Project company	France	100%
Glenouther Renewables Energy Park Limited	Project company	United Kingdom	100%
International Wind Farm Developments II, S.L.	Project company	Spain	100%
Gesa Eólica Mexico, S.A. de C.V.	Project company	Mexico	100%
Energiaki Arvanikou M.E.P.E.	Project company	Greece	100%
Sistemas Energéticos Barandon, S.A.	Project company	Spain	100%
Gamesa Eólica France, S.A.R.L., Saint Priest	Project company	France	100%
Sistemas Energéticos Balazote, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Jaralón, S.A. Unipersonal	Project company	Spain	100%
Sellafirth Renewable Energy Park Limited	Project company	United Kingdom	100%
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Project company	Spain	100%
SEPE de Saint-Lumier en Champagne SARL	Project company	France	100%
SEPE de Saint Amard SARL	Project company	France	100%
SEPE de Landresse SARL	Project company	France	100%
Convertidor Solar Trescientos Veinte, S.L.U.	Project company	Spain	100%
Convertidor Solar G.F. Uno S.L.U., Madrid	Project company	Spain	100%
Gesacisa Desarrolladora, S.A. de C.V.	Project company	Mexico	100%
SEPE de Clamanges SARL	Project company	France	100%
Convertidor Solar Trescientos Setenta, S.L.U.	Project company	Spain	100%
Convertidor Solar Uno, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Arinaga, S.A. Unipersonal	Project company	Spain	100%
SEPE de Mailly-le-Camp SARL	Project company	France	100%
Smardzewo Windfarm Sp. z o.o.	Project company	Poland	100%
Osiek Sp. z o.o.	Project company	Poland	100%
Sistemas Energéticos Alcohujate, S.A. Unipersonal	Project company	Spain	100%
Adwen UK Limited	Project company	United Kingdom	100%
Sistemas Energéticos El Valle, S.L.	Project company	Spain	100%
SEPE de la Brie des Etangs SARL	Project company	France	100%
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Boyal, S.L.	Project company	Spain	60%
Sistemas Energéticos Alto da Croa, S.A. Unipersonal	Project company	Spain	100%
Lingbo SPW AB	Project company	Sweden	100%
Lichnowy Windfarm Sp. z o.o.	Project company	Poland	100%
Elliniki Eoliki Attikis Energiaki S.A.	Project company	Greece	86%
GESA Energia, S. De R.L. de C.V.	Project company	Mexico	100%
SEPE de Souvans SARL	Project company	France	100%
Convertidor Solar G.F. Dos, S.L.U.	Project company	Spain	100%
SEPE de Plancy l'Abbaye SARL	Project company	France	100%
Ujazd Sp. z o.o.	Project company	Poland	100%
SEPE de Pringy SARL	Project company	France	100%
Elliniki Eoliki Kseropousi S.A.	Project company	Greece	86%
Elliniki Eoliki Likourdi S.A.	Project company	Greece	86%
Siemens Gamesa Renewable Energy France SAS	Project company	France	100%
Elliniki Eoliki Kopriseza S.A.	Project company	Greece	86%
Gesan México 1 S.A.P.I de C.V.	Project company	Mexico	100%
SEPE de Chainrix Bierves SARL	Project company	France	100%
SEPE de Soude SARL	Project company	France	100%
Elliniki Eoliki Energiaki Pírgos S.A.	Project company	Greece	86%
SEPE de Bouclans SARL	Project company	France	100%
SEPE de Savois SARL	Project company	France	100%
SEPE de Longueville sur Aube SARL	Project company	France	100%
SEPE de Coupetz SARL	Project company	France	100%
Gamesa Energia Polska Sp. z o.o.	Project company	Poland	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
SEPE de la Loye SARL	Project company	France	100%
SEPE de Trepot SARL	Project company	France	100%
CEntral Eólica de México I S.A. de C.V.	Project company	Mexico	100%
SEPE de Sambourg SARL	Project company	France	100%
Gamesa Energia (Portugal), S.A.	Project company	Portugal	100%
SEPE de Sceaux SARL, Saint Priest	Project company	France	100%
SEPE de Guerfand SARL	Project company	France	100%
SEPE de Vaudrey SARL	Project company	France	100%
SEPE d'Orchamps SARL	Project company	France	100%
Convertidor Solar Trescientos Diecisiete, S.L.U.	Project company	Spain	100%
SEPE de la Cote du Cerisat SAS	Project company	France	100%
Convertidor Solar Trescientos Dieciocho, S.L.U.	Project company	Spain	100%
SEPE du Vireaux SAS	Project company	France	100%
SEPE de Dampierre Prudemanche SAS	Project company	France	100%
SEPE de Orge et Ormain SARL	Project company	France	100%
Parco Eolico Manca Bernarda S.r.l.	Project company	Italy	100%
SEPE de Germainville SAS	Project company	France	100%
SEPE de Moulins du Puits SAS	Project company	France	100%
Parco Eolico Banzy S.r.l.	Project company	Italy	100%
Convertidor Solar Ciento Veintisiete, S.L.U.	Project company	Spain	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	Project company	China	100%
SEPE de Bonboillon SARL	Project company	France	100%
SEPE de Saint Loup de Saintonge SAS	Project company	France	100%
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Project company	Spain	83%
Aljaraque Solar, S.L.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Siete, S.L.U.	Project company	Spain	100%
Convertidor Solar G.F. Tres, S.L.U.	Project company	Spain	100%
SEPE de la Tete des Boucs SARL	Project company	France	100%
SEPE de Chepniers SARL	Project company	France	100%
Fanbyn2 Vindenergi AB	Project company	Sweden	100%
Convertidor Solar Trescientos, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Diecinueve, S.L.U.	Project company	Spain	100%
Siemens Gamesa Renewable Energy Innovation & Technology, S.L.	Research and development company	Spain	100%
Siemens Gamesa Energia Renovável Ltda.	Service and distribution company	Brazil	100%
Gamesa Canada ULC	Service company	Canada	100%
Gamesa Japan K.K.	Service company	Japan	100%
Gamesa Singapore Private Limited	Service company	Singapore	100%
Servicios Eólicos Globales S. de R.L. de C.V.	Service company	Mexico	100%
Gamesa Ukraine, LLC	Service company	Ukraine	100%
Gamesa Eólica Costa Rica, S.R.L.	Service company	Costa Rica	100%
GESA Eólica Honduras, S.A.	Service company	Honduras	100%
Siemens Gamesa Renewable Energy B9 Limited	Service company	United Kingdom	100%
Siemens Gamesa Renewable Energy Limited Liability Company	Service company	Azerbaijan	100%
Gamesa Wind Bulgaria, EOOD	Service company	Bulgaria	100%
Siemens Gamesa Megajuló Energia Hungary Kft	Service company	Hungary	100%
GER Baneasa, S.R.L.	Service company	Romania	100%
Gamesa Wind Romania, S.R.L.	Service company	Romania	100%
Gamesa Dominicana, S.A.S.	Service company	Dominican Republic	100%
Gamesa Energy Romania, S.R.L.	Service company	Romania	100%
GER Independenta, S.R.L.	Service company	Romania	100%
Gamesa Puerto Rico, CRL	Service company	Puerto Rico	100%
Gamesa Eólica VE, C.A.	Service company	Republic of Venezuela	100%
Gamesa Ireland Limited	Service company	Ireland	100%
Siemens Gamesa Renewable Energy Wind S.R.L.	Service company	Italy	100%
GER Baraganu, S.R.L.	Service company	Romania	100%
Gamesa Eólica Nicaragua S.A.	Service company	Nicaragua	100%
Gamesa Israel, Ltd	Service company	Israel	100%
Siemens Gamesa Renewable Energy New Zealand Limited	Service company	New Zealand	100%
Siemens Gamesa Turkey Renewable Energy Limited Company	Service company	Turkey	100%
Gamesa Morocco, SARL	Service company	Morocco	100%
Siemens Gamesa Renewable Energy Limited	Service company	Kenya	100%
Gamesa (Thailand) Co. Ltd.	Service company	Thailand	100%
Siemens Gamesa Renewable Energy Oy	Service company	Finland	100%
9REN Israel Ltd.	Service company	Israel	100%
Siemens Gamesa Renewable Energy Belgium, SPRL	Service company	Belgium	100%
Gamesa Wind South Africa (Proprietary) Limited	Service company	South Africa	100%
Siemens Gamesa Renewable Energy, Ltd	Service company	Mauritius	100%
Siemens Gamesa Renewable Energy Italy, S.P.A.	Service company	Italy	100%
Siemens Gamesa Renewable Energy Lanka Pvt. Ltd.	Service company	Sri Lanka	100%
Gamesa Chile SpA	Service company	Chile	100%
Gamesa Uruguay S.R.L.	Service company	Uruguay	100%
Siemens Gamesa Renewable Energy Greece E.P.E.	Service company	Greece	100%
Siemens Gamesa Renewable Energy, SARL	Service company	Mauritania	100%
9REN Services Italia S.r.l.	Service company	Italy	100%
Siemens Gamesa Renewable Energy Limited	Service company	Cyprus	100%
Whitehall Wind, LLC	Project company	United States	100%
Cedar Cap Wind, LLC	Project company	United States	100%
Pocahontas Prairie Wind, LLC	Project company	United States	100%
Wind Portfolio Memberco, LLC	Project company	United States	100%
EcoHarmony West Wind, LLC	Project company	United States	100%
Gamesa Australia Pty. Ltd.	Social company	Australia	100%
Siemens Gamesa Renewable Energy Installation & Maintenance, Compañía Limitada	Distribution company	Guatemala	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Gesa Oax I Sociedad Anónima de Capital Variable	Project company	Mexico	100%
Gesa Oax III Sociedad Anónima de Capital Variable	Project company	Mexico	100%
Gesa Oax II Sociedad de Responsabilidad Limitada de Capital Variable	Project company	Mexico	100%
Siemens Gamesa Renewable Energy LLC	Distribution company	Vietnam	100%
Gamesa Pakistan (Private) Limited	Other	Pakistan	100%
<b>C) FORMER GAMESA COMPANIES - ACCOUTED BY EQUITY METHOD</b>			
Kintech Santalpur Wind Park Pvt Ltd, Chennai	Development and distribution company	India	49%
Windar Renovables, S.L.	Production and distributing company	Spain	32%
Energía Eólica de Mexico S.A. de C.V.	Project company	Mexico	50%
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH	Project company	Germany	50%
Sistemas Electricos Espluga, S.A.	Project company	Spain	50%
Energías Renovables San Adrián de Juarros, S.A.	Project company	Spain	45%
Generación Eólica Extremeña, S.L.	Project company	Spain	30%
Nuevas Estrategias de Mantenimiento, S.L.	Service company	Spain	50%
Baja Wind US LLC	Venture Capital Investment	United States	50%
Energía Renovable del Istmo S.A. de C.V.	Operation of wind farms	Mexico	50%

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

HEREBY CERTIFY:

That the text of the consolidated annual accounts for 2017 of SIEMENS GAMESA RENEWABLE ENERGY, S.A., authorised for issue by the Board of Directors at its meeting held on November 30, 2017, is the content of the preceding 81 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear the signature of the President and the Secretary of the Board of Directors on its first sheet and the stamp of the Company in the total remaining sheets.

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

\_\_\_\_\_  
Rosa María García García  
Chairwoman

\_\_\_\_\_  
Markus Tacke  
CEO

\_\_\_\_\_  
Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors

\_\_\_\_\_  
Lisa Davis  
Member of the Board of Directors

\_\_\_\_\_  
Swantje Conrad  
Member of the Board of Directors

\_\_\_\_\_  
Klaus Rosenfeld  
Member of the Board of Directors

\_\_\_\_\_  
Sonsoles Rubio Reinoso  
Member of the Board of Directors

\_\_\_\_\_  
Ralf Thomas  
Member of the Board of Directors

\_\_\_\_\_  
Mariel von Schumann  
Member of the Board of Directors

\_\_\_\_\_  
Gloria Hernández García  
Member of the Board of Directors

\_\_\_\_\_  
Michael Sen  
Member of the Board of Directors

\_\_\_\_\_  
Andoni Cendoya Aranzamendi  
Member of the Board of Directors

\_\_\_\_\_  
Alberto Alonso Ureba  
Member of the Board of Directors

Statement by the Secretary of the Board of Directors to let the record reflect that: (i) Ms. Lisa Davis and Mr. Ralf Thomas do not sign this document as they have not physically attended the meeting of the Board of Directors due to force majeure; that (ii) both have delegated their representation and vote for the items included in the agenda to the director Mr. Michael Sen, and that (iii) Michael Sen, who holds an express authorization conferred for these purposes by the aforementioned directors, has signed this document on their behalf. It is also stated that Mr. Klaus Rosenfeld attends the meeting by telephone and therefore he does not sign this document and that Ms. Swantje Conrad has signed this document on his behalf in virtue of an express authorization conferred for these purposes by Mr. Klaus Rosenfeld.

Madrid, November 30, 2017. In witness whereof

Approval of the Chairwoman

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Rosa María García García  
Chairwoman

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Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors



# MANAGEMENT REPORT

## SGRE MANAGEMENT REPORT

As described in Note 1.D of the Notes to the Consolidated Financial Statements and Note 1.3 to the Stand Alone Financial Statements as of September 30, 2017, the merger of Siemens Wind Power Business with GAMESA qualifies for accounting purposes as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer and GAMESA as accounting acquiree. As a result of that, the Consolidated Income Statement of the Group until the merger effective date (April 3, 2017) reflects the transactions of the Siemens Wind Power Business only. After the merger effective date the Consolidated Income Statement includes the transactions of GAMESA also, being the half-year from April to September 2017 the first half-year of operation of the Group after the business combination.

The following chapter on 'Company's evolution during the year' refers to the performance of the Group as a combined business and therefore focuses mainly on the results after the business combination, that is, the period from April to September 2017. The breakdown of the Consolidated Income Statement of the Group for the year 2017 into quarters is as follows:

	(a)	(b)	(c)	(d)=(b)+(c)	(a) + (d)
<i>Millions of euros</i>	Jan-Mar	Apr-Jun	Jul-Sep	Apr-Sep	FY 2017
Revenue	1,516	2,693	2,329	5,022	6,538
Cost of sales	(1,257)	(2,386)	(2,314)	(4,700)	(5,957)
<b>Gross profit</b>	<b>259</b>	<b>307</b>	<b>15</b>	<b>322</b>	<b>581</b>
Research and development expenses	(51)	(51)	(39)	(90)	(141)
Selling and general administrative expenses	(66)	(192)	(156)	(348)	(414)
Other operating income	4	(2)	2	-	4
Other operating expenses	-	(12)	(18)	(30)	(30)
Income (loss) from investments accounted for using the equity method, net	-	-	-	-	-
Interest income	(1)	7	3	10	9
Interest expenses	-	(15)	(16)	(31)	(31)
Other financial income (expenses), net	-	(3)	2	(1)	(1)
<b>Income from continuing operations before income taxes</b>	<b>145</b>	<b>39</b>	<b>(207)</b>	<b>(168)</b>	<b>(23)</b>
Income tax expenses	(26)	(27)	63	36	10
<b>Income from continuing operations</b>	<b>119</b>	<b>12</b>	<b>(144)</b>	<b>(132)</b>	<b>(13)</b>
Income from discontinued operations, net of income taxes	-	-	-	-	-
<b>Net income</b>	<b>119</b>	<b>12</b>	<b>(144)</b>	<b>(132)</b>	<b>(13)</b>
<b>Attributable to:</b>					
Non-controlling interests	-	-	2	2	2
<b>Shareholders of Siemens Gamesa Renewable Energy, S.A.</b>	<b>119</b>	<b>12</b>	<b>(146)</b>	<b>(135)</b>	<b>(15)</b>
 <b>Underlying net profit</b>	 <b>120</b>	 <b>135<sup>1</sup></b>	 <b>(17)<sup>2</sup></b>	 <b>118</b>	 <b>238</b>
<b>Underlying EBIT Pre-PPA</b>	<b>146</b>	<b>211<sup>1</sup></b>	<b>(18)<sup>2</sup></b>	<b>192</b>	<b>339</b>

1 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of EUR 36 million in integration costs and the impact of the Purchase Price Allocation (PPA) amounting to EUR 124 million in EBIT and EUR 87 million in Net Income in the period April-June 2017.

2 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of integration costs amounting to EUR 67 million in EBIT and EUR 51 million in Net Income and the impact of the Purchase Price Allocation (PPA) amounting to EUR 111 million in EBIT and EUR 78 million in Net Income in the period July-September 2017.

# MANAGEMENT REPORT

The comparable figures for previous periods (e.g. half year) have been calculated on a proforma basis, as if the merger transaction had already occurred before the period used for comparison purposes, including full consolidation of Adwen, standalone savings and normalization adjustments.

## 1. COMPANY'S EVOLUTION DURING THE YEAR

### SIEMENS GAMESA'S FIRST FINANCIAL RESULTS REFLECT THE INCREASE IN VOLATILITY IN SOME OF THE GROUP'S MAIN ONSHORE MARKETS

Siemens Gamesa Renewable Energy<sup>3</sup> commenced combined operations on 3 April when the company was registered in the mercantile registry of Bilbao. In its first half-year, the company focused on integrating the separate businesses of Siemens Wind Power and Gamesa in order to bring forward the attainment of the synergies to which the company is committed; the announced amount of such synergies (EUR 230 million annually) was confirmed as the minimum target.

The group's financial results in the second half of 2017 (the first six-month period in which the merged company was operational) reflect the impact of higher volatility in some of the company's main markets, such as India and the US. That volatility is the result of the transition towards fully competitive wind energy models, which has resulted in a decline in onshore sales volume and also in an inventory impairment, with no cash impact, as a result of price pressure in those markets. Consequently, sales in the six-month period declined by 12% with respect to the pro-forma<sup>4</sup> sales figure for the same period of the previous year, and the underlying EBIT margin, excluding the impact of the PPA, stood at 3.8%<sup>5</sup>, and at 6.5% excluding the inventory impairment. Excluding the impact of the hiatus in the Indian market, which was main cause of the decline in sales volumes, group sales fell by 2.4% year-on-year, mainly due to the currency effect, and the underlying EBIT margin pre-PPA and before the inventory impairment was 7.3%. The company ended the period with a net cash position of EUR 377 million, after paying out a EUR 3.6 per share special dividend in April as part of the merger agreement, and a EUR 0.11 per share ordinary dividend out of 2016 earnings.

After experiencing a sharp decrease in the third quarter, commercial activity surged in the fourth quarter, in line with the company's expectations, to attain 3.3 GW in orders, 40% more than in the same period of 2016<sup>6</sup>. Onshore order intake amounted to 2.2 GW, the largest quarterly intake since Q1 2015.

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3 Siemens Gamesa Renewable Energy (Siemens Gamesa) is the result of merging Siemens Wind Power, which is the wind power division of Siemens AG, with Gamesa Corporación Tecnológica (Gamesa). The group engages in wind turbine development, manufacture and sale (Wind Turbine division) and provides operation and maintenance services (Services division).

4 Historical pro-forma sales are calculated as the sum of the sales reported by Siemens AG for its Wind Power division and those reported by Gamesa in the six months from April to September 2016, plus 100% of Adwen's revenues.

5 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of EUR 103 million in integration and restructuring costs and the impact of amortization on intangibles' fair value from the Purchase Price Allocation (PPA) amounting to EUR 235 million at EBIT level. Overall impact of EUR 252 million at net profit level (combining PPA and integration and restructuring costs, net of taxes) in the period April-September 2017. The inventory impairment had an impact amounting to EUR 134 million in EBIT and EUR 88 million in net profit. For comparison purposes, the pro-forma underlying EBIT in the same period of the previous year is calculated as the sum of Gamesa's underlying EBIT, the EBIT of Siemens AG's Wind Power division, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated).

6 The order volume used for comparison is the sum of the two companies' order intake in the same period of the previous year.

# MANAGEMENT REPORT

## Main consolidated figures for April-September 2017:

- **Revenues:** EUR 5,022 million (-12% y/y)
- **Underlying EBIT pre-PPA<sup>5</sup>:** EUR 192 million (-63% y/y)
- **Underlying EBIT pre-PPA excl. inventory impairment:** EUR 326 million (-38% y/y)
- **Underlying net profit pre-PPA<sup>5</sup>:** EUR 118 million
- **Underlying net profit pre-PPA excl. inventory impairment<sup>5</sup>:** EUR 206 million
- **Net financial debt (NFD)<sup>7</sup>:** EUR -377 million
- **MWe sold:** 3,599 MWe (-26% y/y)
- **Firm order intake:** 3,724 MW

**In its first six months of operation, Siemens Gamesa focused on rapidly integrating Siemens Wind Power and Gamesa in order to bring forward the attainment of the announced synergies of EUR 230 million, which is now considered as the minimum amount.** Achieving those synergies is crucial for strengthening the group's competitive position in a changing and increasingly demanding market context.

**The integration process confirms the soundness of the strategic rationale behind the merger in this changing environment, where scale and global reach are absolutely essential in order to compete profitably.** Siemens Gamesa offers a unique business proposition since it combines:

- An onshore platform positioned to gain market share based on an optimised, comprehensive product pipeline and a global commercial, manufacturing and supply presence. This platform will also be the main beneficiary of the merger synergies, which will enable it to compete more efficiently in the coming years.
- An offshore platform with a broader experience compared with the nearest competitor, having installed almost 70% of the world's offshore fleet and logged over 500 million hours of operation.
- A leading service platform with global reach.
- Access to Siemens AG, including Siemens Financial Services.

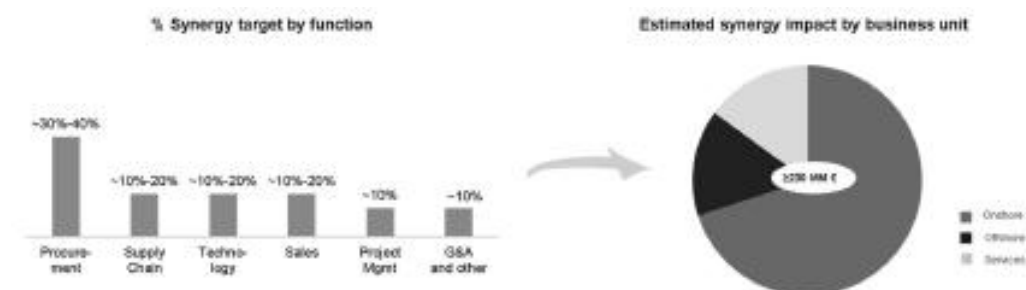
Within the first 6 months and as a result of the integration work, the new organisation was defined and decisions were made regarding product portfolio and manufacturing footprint. Those decisions include notably the **integration of Adwen into the group's offshore division, making it possible to reduce the division's operation losses, better attend to customer needs, and maximise market opportunities.** Work also continued in the optimization of the manufacturing footprint, a process that the two companies had been undertaking separately and which makes more sense following the merger. As part of this process, the closure of the Tillsonburg blade plant in Canada was announced in July, it was decided to reduce capacity at Aalborg (Denmark), and the Tangier (Morocco) plant was opened. **The speed with which the integration process is proceeding should make it possible to reap the announced synergies almost one year ahead of schedule. During the month of November a more complete restructuring process will have been launched.**

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<sup>7</sup> Net financial debt is defined as long-term plus short-term financial debt less cash and cash equivalents.

# MANAGEMENT REPORT

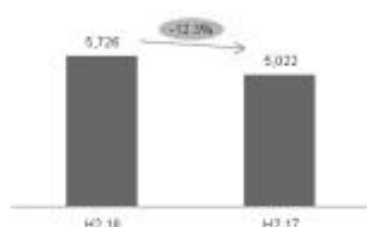
Detailed analysis of synergies has identified the main sources and beneficiaries in detail: procurements, accounting for EUR 4,000 million in expenditure, is the main source, while onshore is the main beneficiary, as shown in the charts below. As a result of that analysis, the committed amount of synergies is now seen as the minimum amount that can be attained.



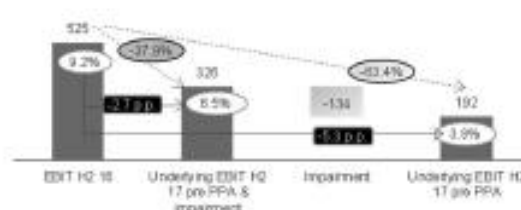
Coordination of the integration work by the Integration Office has enabled the company to maintain its normal business performance, a performance that has been clearly impacted by very specific market conditions arising from the transition to fully competitive renewable energy models. Included in this situation, the temporary halt in the Indian market, the Group's second-largest onshore market, stands out notably after the introduction of wind auctions in February 2017, and the reduction in onshore installations in the UK, the Group's third-largest onshore market, after wind was excluded from the contract for differences mechanism in 2016. These changes resulted in a 26% reduction in sales volume (MWe) in the second half of 2017 compared with the same period of last year. In addition to the temporary impact on volumes, this transition is also pressuring prices, as a result of which the company booked a EUR 134 million inventory impairment.

**The decline in sales volumes resulted in a 12% reduction in sales revenues in the second half with respect to the pro-forma revenues in the same period last year, to EUR 5,022 million, with an underlying EBIT margin of 6.5% pre-PPA and before the inventory impairment, 2.7 percentage points lower than the underlying pro-forma EBIT margin in the same period last year. Including the inventory impairment, the EBIT margin has been 3.8% in the period. Excluding the impact of operations in India in both years and the inventory impairment, sales would have declined by 2.4% and the underlying EBIT margin pre-PPA would have been 7.3%.<sup>8</sup>**

Revenues (€mn): H2 2016 vs. H2 2017



Underlying EBIT (€mn) pre PPA<sup>8</sup>: H2 2016 vs. H2 2017



<sup>8</sup> India contributed EUR 626 million in revenues and EUR 80 million in EBIT in H2 2016 (April-September), and EUR 44 million in revenues and EUR -37 million in EBIT in H2 2017 (April-September).

# MANAGEMENT REPORT

**Group underlying net profit pre-PPA amounted to EUR 118 million in the half-year, equivalent to EUR 0.2 per share.** Excluding the impact of the inventory impairment, underlying net profit pre-PPA would have been EUR 206 million, equivalent to EUR 0.3 per share. Reported net income amounted to EUR -135 million. Reported profit includes the EUR 88 million impact of the inventory impairment and EUR 252 million in connection with integration and restructuring expenses and amortization of intangibles' fair value coming from the PPA (net of taxes).

**The net cash position on the balance sheet was EUR 377 million,** due mainly to the seasonal upswing in working capital.

## MARKETS AND ORDERS

Following the slowdown in commercial activity in the quarter from April to June 2017, in which new orders were signed for 805 MW, order intake rebounded strongly in the fourth quarter (July-September), as the company expected. Those expectations were underpinned by the company's stronger competitive position but also by the factors that had produced the weakness in the third quarter, none of which were structural: the expected conversion of the Safe Harbor contracts in the US in the second half of the calendar year, the slippage in orders in EMEA, APAC and the Americas from the first and second quarters of the calendar year, and the volatility that is typical of the offshore division. **Consequently, orders in the fourth quarter totalled 2,919 MW, 40% more than the two companies' order intake in the same quarter of the previous year.**

As for **onshore**, order intake amounted to **2,167 MW in the fourth quarter**, 5% more than the intake logged by the two companies in the fourth quarter of 2016 and the **largest quarterly order intake since the first quarter of FY 2015 (October-December 2014).**

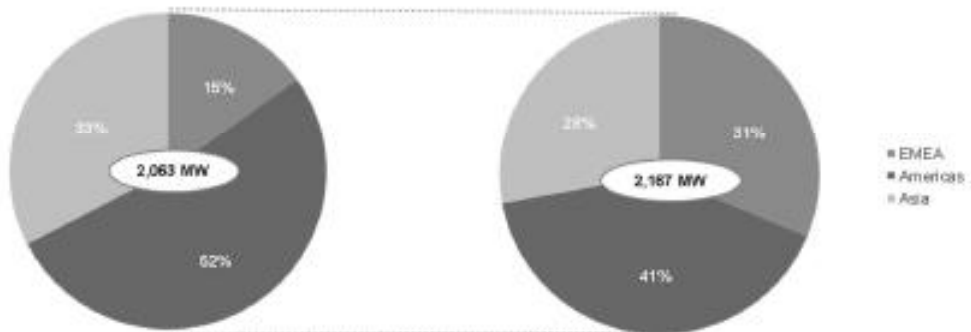
**As for offshore**, in the fourth quarter of FY 2016, the contract was signed for **Borssele 1 and 2, totalling 752 MW**, which had been announced at the earnings presentation for April-June 2017.



As for onshore, EMEA was the region that contributed the most to order intake growth, tripling its contribution with respect to the same period of 2016, with Norway in the lead (378 MW signed in the quarter). Along with Norway, the markets that contributed the most to order intake in July-September 2017 were the US and China. In connection with order intake in the period, it is important to note that Siemens Financial Services is an investing partner in one of the contracts signed in Norway (281 MW), highlighting the importance of the relationship with the Siemens AG group for generating joint value propositions for our customers.

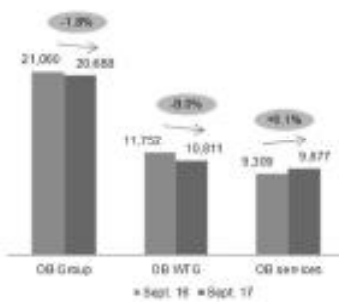
# MANAGEMENT REPORT

Onshore OI evolution (MW): Q4 2016 vs Q4 2017

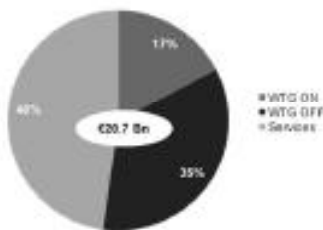


As a result of the recovery by commercial activity in the fourth quarter, the Group order book was slightly higher than in June, containing the year-on-year decline at 2%, contrasting with the 7% decline with respect to the combined order book in June 2016. The services backlog increased by 6% y/y while the WTG backlog shrank by 8%, resulting in a total backlog of EUR 20,688 million.

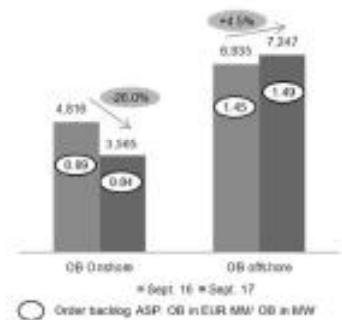
Order Book (€mn) Sept. 16 & Sept. 17



Order Book @ September 2017



WTG Order Book (€mn) Sept. 16 & Sept. 17



# MANAGEMENT REPORT

## FINANCIAL PERFORMANCE

The table below shows the main financial aggregates for the six-month period from April to September 2016 and 2017. The figures for 2016 are unaudited pro-forma numbers representing the sum of the numbers reported individually by Gamesa and Siemens Wind Power, plus Adwen (fully consolidated). The comparable EBIT numbers for 2016 include standalone, consolidation scope and normalisation adjustments for Siemens Wind Power.

P&L €m n	April-Sept. 16 P <sup>2</sup>	April-Sept. 17	Var. y/y %	July-Sept. 17	Var. y/y %
Group sales	5.726	5.022	-12,3%	2.329	-17,6%
WTG	5.156	4.401	-14,6%	2.008	-20,8%
O&M	570	621	9,0%	321	9,9%
Gross profit (Pre PPA)	828	410	-50,5%	53	-87,0%
Gross profit margin (Pre PPA)	14,5%	8,2%	-6,3	2,3%	-12,2
<b>Reported EBIT</b>	<b>525</b>	<b>-146</b>	<b>-127,9%</b>	<b>-197</b>	<b>-175,9%</b>
Underlying EBIT <sup>3</sup> (Pre-PPA)	525	192	-63,4%	-19	-107,2%
Underlying EBIT margin (pre-PPA)	9,2%	3,8%	-5,3	-0,8%	-10,0
Underlying WTG EBIT margin (pre-PPA)	8,1%	1,9%	-6,2	-3,9%	-12,0
Underlying Service margin (Pre-PPA)	19,1%	17,4%	-1,6	18,7%	0,07
<b>Reported Net Income</b>		<b>-135</b>	<b>NA</b>	<b>-147</b>	<b>NA</b>
Underlying Net Income pre-PPA <sup>3</sup>		118	NA	-17	NA
Underlying Net Income per share pre-PPA <sup>4</sup>		0,17	NA	-0,03	NA

Balance sheet <sup>5</sup>	April-Sept. 16 P <sup>2</sup>	April-Sept. 17	Var. y/y %	July-Sept. 17	Var. y/y %
Working capital	621	-300	-921	-300	-921
Working capital o/sales LTM proforma	5,9%	-2,7%	-8,7	-2,7%	-8,7
Capex	315	297	-5,9%	107	-43,5%
Net financial debt/(cash)		-377	NA	-377	NA

1. All financial information and KPIs are non-audited. All historic information is pro-forma.
2. April-Sept. 16 financial data corresponds to non-audited pro-forma data, based on legacy businesses' reported information (Siemens Wind Power, Gamesa and 100% of Adwen) including standalone, normalization and scope adjustments for SWP operations, amounting to 58 MM € in the April-Sept 2016 period. Adwen is fully consolidated in the historic pro-forma data with an impact of €132 mn at revenue level and of -€16 mn at EBIT level.
3. Underlying data excludes integration and restructuring costs for €103 mn and the impact on amortization on intangibles' fair value from the PPA in amount of €235 mn at EBIT level. The total impact at net income level (net of taxes) amounts to €252 mn.
4. Number of shares for EPS calculation: in H2 2017: 676,417,806 and in Q4 2017: 679,471,221
5. See definition of working capital, net financial debt and EBIT in the glossary of terms that can be found in the H2 2017 earnings release together with the reconciliation of both items to the H2 2017 consolidated financial statements
6. LTM pro forma, non-audited, is calculated adding revenues and EBIT reported by Siemens AG for Siemens Wind Power, those reported by Gamesa and 100% of those reported by Adwen. Pro forma profitability includes standalone, normalization and scope adjustments for Siemens Wind Power.

The group's financial performance in the first six-month period in which Siemens Gamesa operated as a unit reflects specific market conditions, which affected volumes and prices, resulting in a reduction in the group's sales and margins. A significant part of the reduction in volume was due to the temporary suspension of the Indian market and the reduction in installations in the UK. During the period April-September 2016 India contributed 819 MWe to the sales volume, and UK 449 MWe, representing a 33% on the period's sales volume. Group margins were affected not only by the decline in volumes but also by the fact that Adwen's losses increased year-on-year as well as by the inventory impairment.

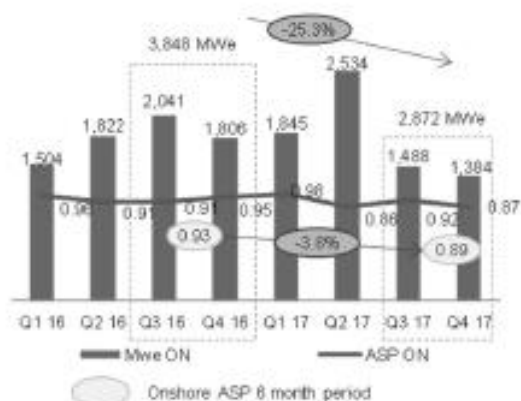
**Sales fell by around 12% year-on-year** as a result of the reduction in the sale of onshore wind turbines, in India primarily but also, to a lesser extent, in the UK. Adjusting for the impact of the halt in the Indian market, sales fell by 2.4% due to strong offshore sales, which registered double-digit growth, and a 9% year-on-year increase in service revenues.

# MANAGEMENT REPORT



**WTG revenues fell 15%** as a result of a **26% y/y decline in volume (MWe)**; this fall was concentrated in the onshore business, which shrank by 25% y/y, due to the reduction in activity mainly in India and the UK. The ASP increased by 16% year-on-year, positively impacted by the concentration of activity in offshore installations in the six-month period. The ASP in the onshore business declined by 4% to EUR 0.89 million/MW.

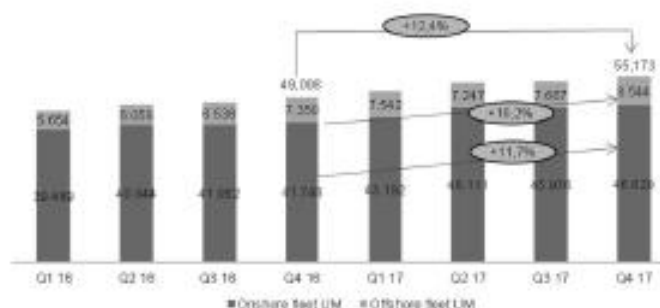
Onshore WTG sales volume (MWe) and ASP<sup>1</sup> evolution (€mn /MW)



1. ASP (Average Selling Price): Average selling price (Sales of AEG/MWe)

**Services revenues increased by 9%, boosted by the fleet under maintenance**

Fleet under maintenance (GW)

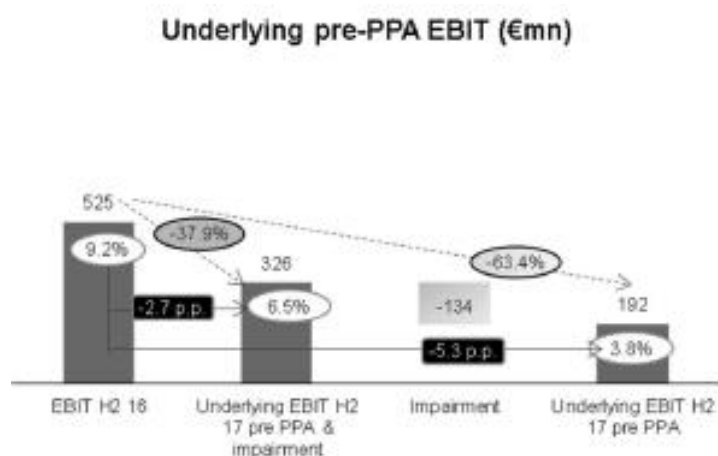


**Group underlying EBIT pre-PPA declined by 63% y/y** as a result of the inventory impairment due to market conditions (EUR 134 million), the decline in sales volumes (MWe) (26% y/y), and the higher losses booked by Adwen. As a result, **the underlying EBIT margin pre-PPA was 3.8%**, 5.3 percentage points lower than the pro-forma underlying EBIT margin in the same period of the previous year: 9.2%.



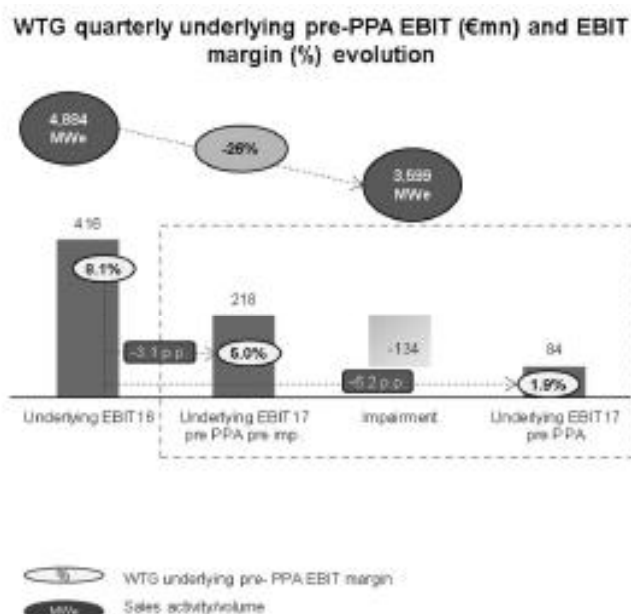
# MANAGEMENT REPORT

Adjusting for the impact of the inventory impairment, the underlying EBIT margin pre-PPA would have been 6.5%, 2.7 percentage points lower than in the same period of 2016.



Following the inventory impairment, the main factors impacting year-on-year performance of group profitability were the decline in volumes caused by suspension of the Indian market and the increase in operating losses at Adwen (to EUR 36 million in the period, from EUR 16 million losses in the same period last year). None of these factors are structural: the Indian market is expected to normalise in 2019, and integrating Adwen into the broader offshore operations will enhance performance and reduce the unit's operating losses in the coming years. **The underlying EBIT margin pre-PPA and before the inventory impairment would have been 8.3%.<sup>9</sup>**

**Underlying EBIT pre-PPA in the Wind Turbine segment fell 80% and the underlying EBIT margin pre-PPA was 1.9% at the end of the period**, due to the inventory impairment and the decline in sales volumes. Excluding the inventory impairment, profitability fell 48% to a margin of 5%, 3 percentage points lower than in the same period of 2016, affected by a 26% reduction in sales volumes (MWe).



<sup>9</sup> In the second half of 2017, the impact of India was EUR -37 million and that of Adwen was EUR -36 million. Adwen contributed EUR 199 million in revenues in the second half of 2017.

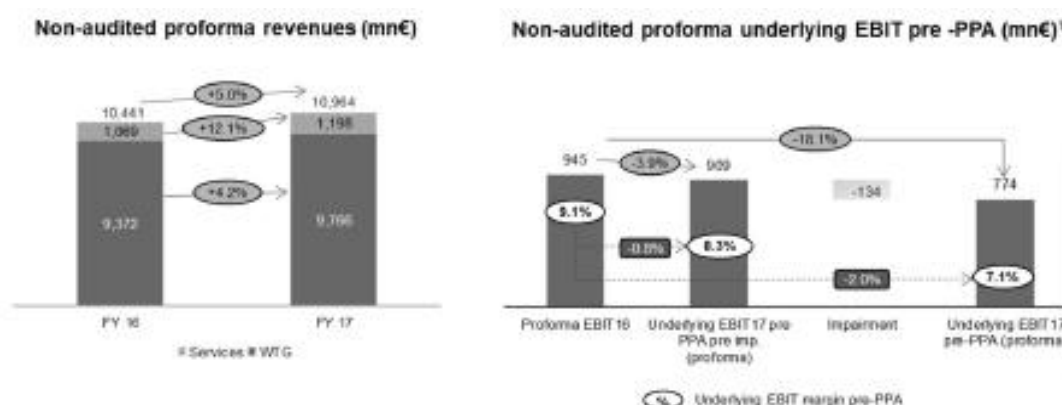
# MANAGEMENT REPORT

The services division ended the period with EUR 108 million in underlying EBIT pre-PPA, i.e. flat with respect to the same period of the previous year, and equivalent to a margin of 17.4%, 1.7 percentage points lower than in the second half of 2016, a period in which a currency hedge provided a gain of EUR 8 million. But for that impact, EBIT would have been flat in year-on-year terms.

During the six-month period, the group incurred EUR 22.4 million in financial expenses and in a positive tax effect of EUR 36 million (resulting from tax impact on inventory valuation of EUR 46 mio). The gross impact of amortization of intangibles' fair value coming from the PPA in the period was EUR 235 million.

As a result, the group reported underlying net profit pre-PPA of EUR 118 million, equivalent to EUR 0.2 per share. Including the EUR 252 million impact of PPA amortization and integration and restructuring expenses, and the EUR 88 million impact of the inventory impairment, the company reported a loss of EUR 135 million in the six-month period.

Pro-forma figures for the last twelve months are as follows: revenues amounting to EUR 10,964 million (5% more than in the twelve months to September 2016) and underlying EBIT pre-PPA amounting to EUR 774 million (-18% y/y), i.e. an EBIT margin of 7.1% (2.0 percentage points lower than in the twelve months to September 2016). Excluding the inventory impairment, which has no cash effect, underlying EBIT pre-PPA amounted to EUR 909 million, in line with the guidance announced in July, and equivalent to an EBIT margin of 8.3%, 0.8 percentage points lower than in the same period of the previous year.

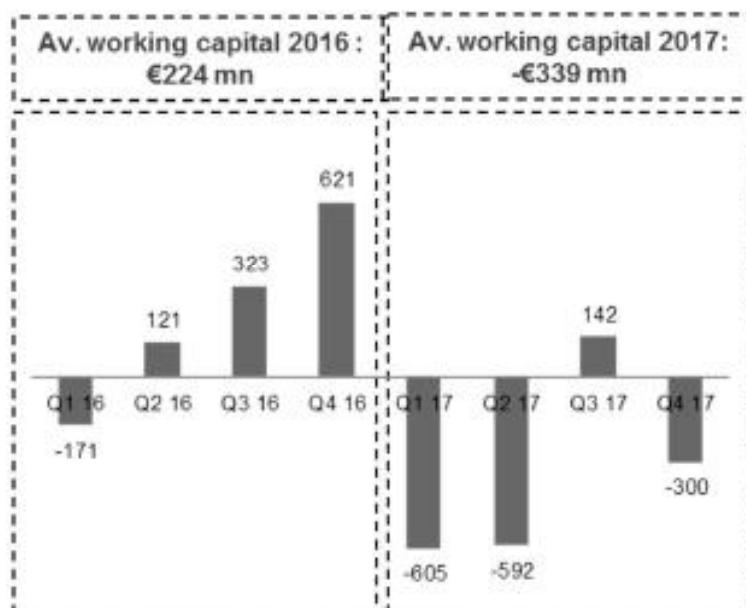


<sup>1</sup> Pro forma EBIT pre PPA figures excluding integration costs and the impact on amortization of intangibles' fair value from the PPA, and including full consolidation of Adion, standalone savings and normalization adjustments. Underlying EBIT LTM September 17 excludes €103 mn in integration, transaction and restructuring costs and €235 mn in PPA (April-September 2017).

Siemens Gamesa ended the year with EUR -300 million in working capital, equivalent to -2.7% of LTM revenues, i.e. almost 9 percentage points less than in September 2016, and more than EUR 900 million lower in absolute terms. Working capital declined as a result of the reduction in sales, the improvement in commercial activity in the fourth quarter, and the reduction in inventory value as a result of the inventory impairment. The increased commercial activity also explains the sequential improvement in working capital.

# MANAGEMENT REPORT

Working capital evolution<sup>1</sup> (€mn)

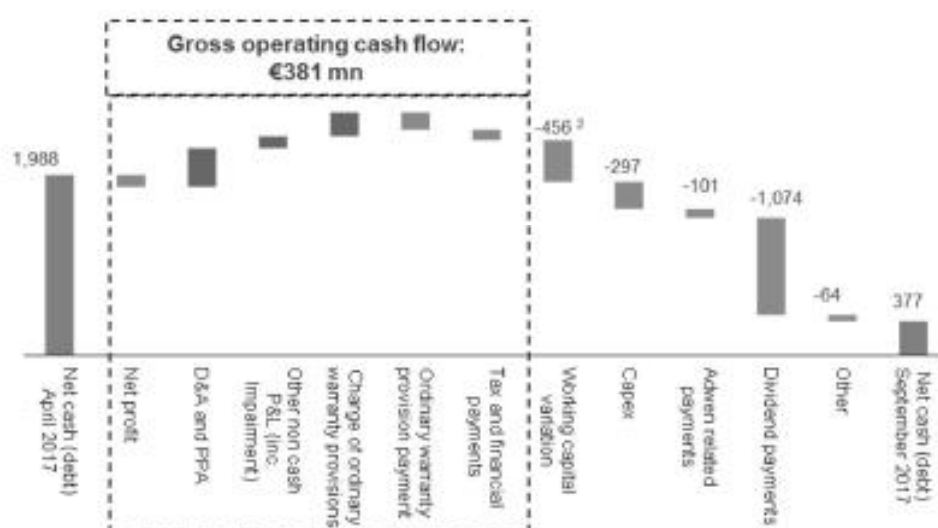


1. Pro-forma working capital as addition of SWP working capital, Gamesa working capital and Adwen working capital for Q1 16 to Q2 17

In the second half of 2017, the company invested EUR 297 million in property, plant and equipment and intangible assets, mainly to start up the factories in Cuxhaven (offshore) and Morocco.

The net cash position was EUR 377 million.

Net financial debt (cash) variation (€mn)



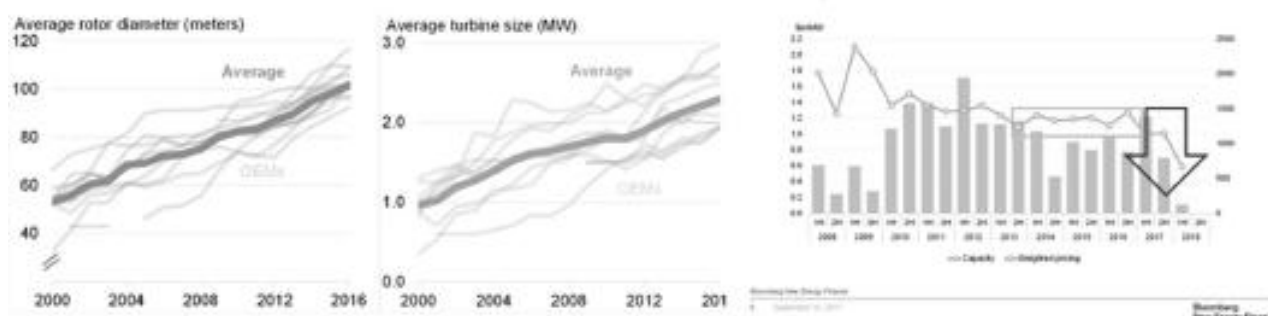
2. Working capital variation of -€456 MM excluding the non-cash impact of the inventory write down and exchange rate

# MANAGEMENT REPORT

## 2. FORECASTED EVOLUTION

### The transition towards fully competitive energy models enhances wind power's long-term potential

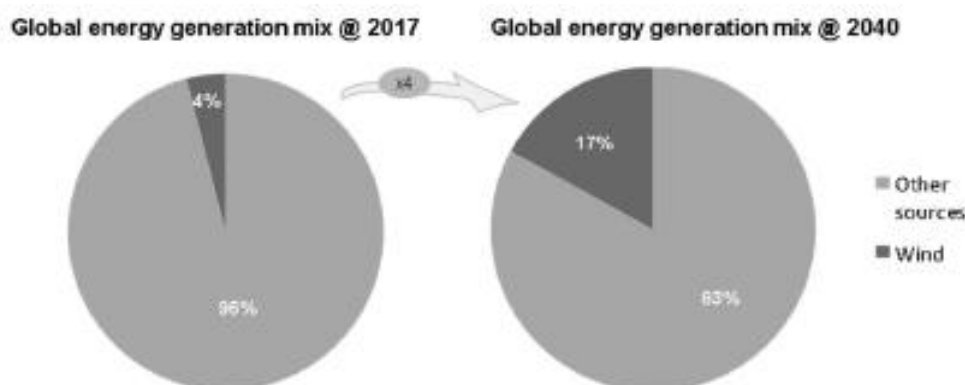
The renewable energy industry is in transition towards fully competitive models. This transition is being made possible by the efficiency achieved by renewable energy, particularly wind power, in recent years and that projected for the future. In the transition, all players in the industry are expected to attain efficiencies in addition to those already achieved. In the supply chain, these efficiencies are achieved through improvements in technology and costs, which are passed on to end customers through higher-performance products (in terms of annual energy output), via such factors as larger rotors and higher rated capacities, and lower cost per MW in wind turbines.



Source: BNEF New Energy Outlook 2017 and H2 Wind Turbine Index

The return being demanded of wind power projects is also declining as the industry matures. In its new Energy Outlook 2017, BNEF expects real returns on capital investment to be around 5% by 2030, while funding costs are projected to be around 2.75% in real terms. **Efforts on the part of the supply chain and operators/investors will lead to a reduction in the cost of wind power of 30-60% onshore and 75% offshore by 2040<sup>10</sup>.**

Achievements to date plus those expected in the coming years greatly enhance wind power's long-term potential. Whereas its contribution to the world energy mix is **currently a marginal 4%, wind will reach 17% by 2040<sup>9</sup>.**



<sup>10</sup> BNEF: New Energy Outlook 2017

# MANAGEMENT REPORT

To attain that level, it will be necessary to install 1,873 GW onshore and 178 GW offshore in the next 24 years, with the onshore division becoming the largest single target of investment in the period, about EUR 3 trillion, ahead of coal, gas, nuclear and utility-scale solar. It is also important to note that wind demand will shift to emerging countries, mainly Asia, the Middle East and Africa.

## Wind power demand prospects for the short and medium term are relatively stable

While the industry is moving towards its long-term potential, the prospects of wind demand are relatively stable in the short and medium term, during which there will be temporary disruptions as the model normalises. The halt in the Indian market, expected to normalise in 2019, is one such market disruption.



**In this context, Siemens Gamesa is uniquely positioned to benefit from the industry's long-term potential**

The transition to a fully competitive renewable energy model requires players to be more efficient. In this connection, the rationale for the merger still stands: to create a group with the scale, scope and portfolio of products and services required to provide an optimised cost of energy. Another plus is the relationship with the Siemens group, which will make it possible to develop more competitive offers for our customers.

However, the group is not only positioned to benefit from the long-term potential, once the transition to the new model is complete; it is also well placed to surmount the transition while creating the maximum value for all stakeholders. This will be achieved through a diversified, balanced and complementary business model including leading positions in offshore, in onshore markets with above-average growth, and in services. Balance, diversification and leadership increase the group's resilience at a time when the market may suffer disruptions in specific geographies.

# MANAGEMENT REPORT



The 2018 guidance reflects new pricing levels and a higher demand volatility, all this in the onshore unit, and the achievement of synergies starting in the second half of 2018.

As described earlier, the industry is transitioning towards fully competitive energy models that require all players in the wind industry, including the supply chain, to pursue additional efficiency. These efficiencies will materialise, inter alia, in more competitive wind turbine prices. Moreover, markets will be more volatile during the transition, resulting in temporary disruptions to demand, such as the hiatus in the Indian market. This is all reflected in the guidance for 2018, shown in the next table.

MM €	Pro-forma FY 2017	Guidance FY 2018
Revenues	10,964	9,000-9,600
Underlying EBIT margin pre-PPA (1)	7%	7%-8%
Working capital to sales ratio	-3%	-3% to +3%
Capex	621	c. 500

At end-September 2017, SGRE had fully covered its offshore sales volume guidance, with sales expected to decline slightly after the strong growth registered in 2017, while its onshore average sales volume (MWe) was 58% covered. SGRE's guidance includes projected low double-digit price deflation, in line with market trends and with order intake in the fourth quarter of 2017.

The projected range of 7% to 8% profit margin assumes synergies amounting to around 1.5% of revenues, to be achieved in the second half of the year. It is the achievement of those synergies that will separate performance in the second half from the weaker first-half figures.

The impact of the PPA in the year is expected to amount to EUR 321 million, while the tax rate is projected to be 30%.

All guidance figures are expressed in constant 2017 money.

# MANAGEMENT REPORT

## CONCLUSIONS

Siemens Gamesa Renewable Energy came into being ready to address the challenges and seize the opportunities that the wind business offers in the short, medium and long term, so as to create value for all stakeholders. In a changing environment with increasingly demanding wind markets, the merger's strategic rationale is even more compelling. Global scale and reach have become essential in order to compete profitably. Meanwhile, the combined company's diversification and balance and its leading position in emerging and offshore markets provide resilience and above-average growth potential.

After the creation of the company, which was registered on 3 April 2017, Siemens Gamesa concentrated its efforts during the second half of 2017 on accelerating the integration, aware of the importance of acting as a single group in order to achieve the announced synergies. **The goal now is to achieve these synergies, which amount to EUR 230 million per year, almost one year ahead of the originally announced date; moreover, that figure is now seen as the minimum achievable amount. The onshore business will be the main beneficiary.**

In addition to the integration activities driven by the Integration Office, Siemens Gamesa continued with its normal activity, **though it was materially affected by temporary volatility in some of the group's core markets, with an impact on sales volumes and profitability.** In this context, three factors had a significant impact on the half-yearly results: an inventory impairment to adapt to new market conditions, amounting to EUR 134 million; the halt in the Indian market (the company's second-largest market); and higher losses booked by Adwen. **As a result, revenues fell 12% y/y in the quarter to EUR 5,022 million and underlying EBIT pre-PPA fell 63% to EUR 192 million, equivalent to a margin of 3.8%, i.e. 5.3 percentage points below the pro-forma margin in the second half of 2016. Whereas commercial activity was weak in the merged company's first quarter (Q3), with 805 MW of firm orders, it recovered strongly in the fourth quarter, to 2,919 MW, 40% more than the combined figures of the merged companies in the same period of 2016. Order intake in the onshore division (2,167 MW) was at its highest since the first quarter of 2015, as a result of the materialisation of the trends that were visible in Q3, which impacted order intake in that quarter: conversion of Safe Harbor contracts in the US, expected in the second half of the calendar year, volatility of offshore order intake, and the shift of larger onshore orders to the second half of the year. In offshore, where order intake is more volatile, the contract for Borssele 1 and 2 (752 MW) was signed, as had been announced in Q3. As a result of stronger commercial activity, the order book at end-September amounted to EUR 20,688 million, broken down as follows: Wind Turbines EUR 10,811 million (-8% y/y); and Services EUR 9,877 million (+6% y/y).**

**After paying a special dividend (EUR 3.6 per share) and an ordinary dividend (EUR 0.11 per share) in this six-month period, the company ended the period with a net cash position of EUR 377 million and working capital amounting to EUR -300 million, -2.7% of revenues LTM.**

# MANAGEMENT REPORT

## 3. MAIN BUSINESS RISKS

The Siemens Gamesa Group is exposed to certain financial risks that it manages by grouping together risk identification, measurement, concentration limitation and oversight systems. SIEMENS 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 management.

The risk associated with changes in exchange rates assumed for SIEMENS 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, SIEMENS GAMESA has obtained financial hedging instruments from financial institutions.

## 4. USE OF FINANCIAL INSTRUMENTS

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

## 5. SUBSEQUENT EVENTS

There are no significant subsequent events, except for the November 2017 announcement of further capacity adjustment measures to address changing market conditions, with no impact on the accompanying Consolidated 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.

During the reporting period, the main increase under the caption "Internally generated technology" of the Other intangible assets is due to the development of new wind turbine models, software and the optimization of the components' performance for an amount of EUR 73,647 thousand (EUR 5,812 thousands in 2016) mainly in Denmark and Spain in amounts of EUR 46,570 thousands and EUR 19,571 thousands, approximately and respectively.

## 7. TREASURY SHARE OPERATIONS

At September 30, 2017 SIEMENS GAMESA holds a total of 1,707,508 treasury shares, representing 0,25% of share capital.

The total cost for these treasury shares amounts EUR 21,505 thousands, each with a par value of EUR 12.594.

A more detailed explanation of transactions involving treasury shares is set out in Note 19.E to the Consolidated Financial Statements and Note 13.4 to the Stand Alone Financial Statements of the Notes to the Consolidated Financial Statements at September 30, 2017.



# MANAGEMENT REPORT

## 8. CAPITAL STRUCTURE

THE CAPITAL STRUCTURE, INCLUDING SECURITIES THAT ARE NOT TRADED ON A REGULATED EEC MARKET, THE DIFFERENT CLASSES OF SHARE, THE RIGHTS AND OBLIGATIONS CONFERRED BY EACH AND THE PERCENTAGE OF SHARE CAPITAL REPRESENTED BY EACH CLASS:

In accordance with Article 7 of Siemens Gamesa Renewable Energy, S.A.'s bylaws, reflected in the version approved by the shareholders in general meeting held June 20, 2017, *"Share capital amounts to ONE HUNDRED FIFTEEN MILLION SEVEN HUNDRED NINETY FOUR THOUSAND, THREE HUNDRED SEVENTY FOUR EUROS AND NINETY FOUR CENTS (115,794,374.94 EUR ), represented by 681,143,382 ordinary shares of seventeen euro cents of nominal value each, in numbers from 1 to 681,143,382, comprised of a sole class and series, all entirely subscribed and paid in."*

### SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information for Siemens Gamesa Renewable Energy, S.A., its share capital structure at September 30, 2017 follows:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Number of voting rights linked to the exercise of financial instruments	% of total voting rights
SIEMENS AKTIENGESELLSCHAFT	205,178,132	196,696,463	-	59.00%
IBERDROLA, S.A.	-	54,977,288	-	8.071%

(\*) Through:

Name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
SIEMENS BETEILIGUNGEN INLAND GMBH	196,696,463	28.877%
IBERDROLA PARTICIPACIONES, S.A. SOLE SHAREHOLDER COMPANY	54,977,288	8.071%

## 9. RESTRICTIONS ON THE TRANSFER OF SECURITIES

No restrictions on the transfer of securities exist.

## 10. SIGNIFICANT % OF DIRECT OR INDIRECT OWNERSHIP

See Point 8.

## 11. RESTRICTIONS ON VOTING RIGHTS

There are no legal or bylaw stipulated restrictions on exercising voting rights.

# MANAGEMENT REPORT

## 12. SIDE AGREEMENTS

In compliance with the stipulations set forth in Article 531 of the revised Spanish Corporation Law enacted by Royal Decree 1/2010, of July 2 ("Capital Companies Law"), Iberdrola S.A. notified Gamesa Corporación Tecnológica, S.A. (currently "Siemens Gamesa Renewable Energy, S.A.") on June 17, 2016 regarding the signing of a side agreement between Iberdrola S.A. and Iberdrola Participaciones, S.A. Sole Shareholder Company, as shareholders (indirect and direct or indirect, respectively) of Gamesa Corporación Tecnológica, S.A. ("the Company") and Siemens AG. The contract refers to the (i) Company in the context of a merger of its wind energy businesses and Siemens AG ("the Merger"); and (ii) its relationships as future shareholder of the Company subsequent to the merger (the "Shareholders' Agreement").

The Shareholders' Agreement includes terms which qualify it as a side agreement under the terms set forth in Article 530 of Capital Companies Law, even when the effectiveness of certain agreements was contingent upon the Merger taking place.

## 13. RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND THE AMENDMENT OF THE COMPANY'S BYLAWS

Article 30 of the Siemens Gamesa Renewable Energy, S.A. bylaws state that the members of the Board of Directors are *"designated or ratified by the shareholders in general meeting,"* and that *"should during the appointment period any vacancies arise, the Board of Directors may designate any parties having held them until the first general Shareholders Meeting is held,"* in accordance with the terms reflected in Capital Companies Law and bylaws.

In conformity with Article 13.2 of the Board of Directors Regulations, *"proposals for appointing Board members submitted to the Board of Directors for consideration by the shareholders in general meeting, and appointment decisions made through the reappointment should be preceded by (a) in the case of independent directors, a proposal made by the Appointments and Remuneration Committee, and (b) in other cases, a report from the abovementioned committee."* Article 13.3 of the Board of Directors Regulations states that *"when the Board of Directors extracts itself from the proposal or abovementioned report from the Appointments and Remuneration Committee, reasons for doing so must be reflected in the minutes."*

Article 14 of the same regulations states that *"when appointing external directors, the Board and the Appointments and Remuneration Committee will ensure that the directors selected are of recognized solvency, skill, and experience."*

*Should the Board Member be a legal person, the individual representing it during the exercise of the functions inherent to the post are subject to the abovementioned conditions."*

Finally, Article 7.4 of the Appointments and Remuneration Committee Regulations grant it the responsibility for *"ensuring that the selection procedures are not affected by implicit skewed processes tantamount to discrimination."*

As regards the reappointment of the Directors, Article 15 of the Board of Directors' Regulations indicates that *"Proposals for reappointing the Directors which the Board of Directors choose to submit to the general shareholders for approval must be accompanied by the corresponding supporting documentation under the terms established by Law. The Board of Directors' Agreement submitted to the shareholders in general meeting for approval for the reappointment of the independent directors must be adopted at the proposal of the Appointments and Remuneration Committee, while the remaining directors must submit a prior favorable report."*

# MANAGEMENT REPORT

*The members comprising the Appointments and Remuneration Committee must refrain from participating in deliberating and voting on their own.*

*The reappointment of a board member who forms part of a committee or holds an internal position on the Board of Directors or any of its committees will determine his/her continuity in the post; express reelection is unnecessary, without prejudice to the revocation faculties corresponding to the Board of Directors.*

Board member termination is regulated by Article 16 of the Board of Directors Regulations, which states that *“board members will step down after their appointment period has transpired, without prejudice to the possibility of reelection, and when the general shareholders meeting so decides at the proposal of the Board of Directors or the shareholders under legislation.”*

The steps and criteria established in this regard are set forth in Capital Companies Law and the Mercantile Register Regulations.

Article 16.2 of the Board of Directors Regulations states that *“board members or individuals representing a legal person member must make their positions available to the Board and arrange any corresponding resignation, in any case based on a prior report from the Appointments and Remuneration Committee for the following cases:*

- a) For proprietary directors when they or the shareholder they represent cease to own significant shareholdings in the Company, and when they revoke representation.*
- b) When executive directors step down from their positions associated to their appointment as board members and when the Board of Directors considers it appropriate.*
- c) Non-executive directors are integrated into the Company’s executive line or that of any of the Group companies.*
- d) When they are involved in any of the situations representing incompatibility or prohibition as foreseen in Corporate Governance Regulations or law.*
- e) When they are immersed in legal procedures arising from alleged criminal activity, or tried for any of the crimes indicated in the terms outlined in Capital Companies Law regulations prohibiting individuals from holding director posts, or have been fined by the supervisory authorities due to serious or very serious infringement.*
- f) Where there have been serious reprimands from the Board of Directors or fines resulting in serious or very serious infractions arising from not complying with their obligations as Company directors.*
- g) When their continued presence on the Board could jeopardize the interests of the Company or when the reasons for which they were appointed cease to apply.*
- h) When, as a result of actions attributable to the director in the performance of this role, serious damage occurs to Company assets or reputation, or should said person lose the professional reputation required to be one of the Company's directors.”*

In accordance with Sections 3, 4, and 5, *“in any of the above circumstances, the Board of Directors shall request the director to step down from his/her directorship, and where appropriate, submit a proposal for this cessation at the General Shareholders’ Meeting. As an exception, the aforementioned reflected in sections a), d) f), and g) shall not be applicable in the cases of grounds for resignation when the Board of Directors considers that there are sufficient reasons to justify the continuing appointment of the director, without prejudice to the effect that the new situation might have on the person’s qualifications for the position.*

# MANAGEMENT REPORT

*The Board of Directors may only propose that an independent director be removed before the period established in the bylaws has expired in the event that the Board of Directors considers that there is just cause following a report from the Appointments and Remuneration Committee. Specifically, due to not complying with the duties inherent to his/her position or arising from any of the legally-established circumstances representing lack of compatibility due to pertaining to this category.*

*Board members stepping down from their positions prior to the end of their mandates must send a letter to all Board members explaining their reasons for doing so."*

## **Rules governing bylaw amendments**

Amendments made to the Siemens Gamesa bylaws are governed by the terms of Articles 285 to 290 of Capital Companies Law approved by Royal Decree Law 1/2010 of July 2 ("Capital Companies Law").

Additionally, amendments made to the Siemens Gamesa bylaws are covered by the terms outlined in the Company's bylaws and the Regulations of the General Shareholders' Meeting.

As regards the competencies for making amendments, Articles 14. h) of bylaws and 6.1 h) of the Regulations of the General Shareholders' Meeting indicate that this role corresponds to the Siemens Gamesa General Shareholders' Meeting.

Articles 18 of bylaws, and 26 of the Regulations of the General Shareholders' Meeting include the quorum requirements for the General Shareholders Meeting adoption of agreements. Articles 26 of its bylaws, and 32 of the General Shareholders Regulations indicate the necessary majority for these purposes.

Article 31.4 of the General Shareholder's Regulations indicates that in accordance with legislation, the Board of Directors will make proposals for different agreements regarding matters which are substantially independent, so that shareholders may individually exercise their voting preferences. The above is specifically applicable in the case of amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

In accordance with Article 518 of Capital Companies Law, due to the call for a general Shareholders Meeting devoted to amending bylaws, the Company website will include the complete text of the agreement proposals on the Agenda in which the amendments are proposed, as well as reports from competent bodies in this regard.

## **14. THE POWERS OF BOARD OF DIRECTORS AND, SPECIFICALLY, POWERS TO ISSUE OR BUY BACK SHARES**

### **Powers of Directors**

During its meeting held on June 20, 2017, the Board of Directors of Siemens Gamesa Renewable Energy, S.A. unanimously agreed to reappoint Markus Tacke as the Company's Chief Executive Officer, thereby delegating all the legally and statutory faculties corresponding to the Board, except those which are not covered by Law and the Bylaws, which Mr. Tacke accepted, as reflected in the meeting minutes.

# MANAGEMENT REPORT

## Powers to buy back shares

At the date of approval of this Report, authorization was still pending from the Company's General Shareholders Meeting held on May 8, 2015, by virtue of which the Board of Directors will be entitled to acquire treasury shares. The following is the literal text of the agreement adopted by the above reflected under point 9 of the Agenda:

*"In accordance with Article 146 of Capital Companies Law, with express substitution faculties, authorize the Board of Directors to acquired shares in Gamesa Corporación Tecnológica, Sociedad Anónima ("Gamesa" or "the Company") under the following conditions:*

- (a) The acquisitions may be made by Gamesa or indirectly through its subsidiaries, on the same terms as described herein.*
- (b) The share acquisitions will be accomplished by way of sale or exchange transactions or as otherwise permitted by law.*
- (c) The acquisitions may, from time to time, be made up to the maximum figure permitted by law.*
- (d) The minimum share price will be their nominal value, with a maximum price not to surpass 110% of their listed value at the date of acquisition.*
- (e) Shares acquired may be subsequently be sold at freely-determined conditions.*
- (f) This authorization is granted for a maximum period of 5 years, and expressly renders the authorization granted during the general Shareholders Meeting held on May 28, 2010 for the unused portion without effect.*
- (g) As a result of the acquisition of shares, including those which the Company or party acting in its own name yet on behalf of the Company acquired previously and held in portfolio, the resulting equity may not be reduced to under the amount of share capital plus legal reserves or those restricted, all without prejudice to letter b) of Article 146.1 of Capital Companies Law.*

*Finally, regarding the contents of the final paragraph of the Article 146.1.a) of the Capital Companies Law, shares acquired as a result of this authorization may be used by the company to deliver to its employees or its directors, either directly or through the exercise of options or other rights contemplated in the incentives plan for owners/beneficiaries as stipulated in legal, statutory, and regulatory guidelines."*

## **15. SIGNIFICANT AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND WHICH TAKE EFFECT, ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID AND THE EFFECTS THEREOF, EXCEPT WHERE DISCLOSURE WOULD SEVERELY PREJUDICE THE COMPANY'S INTERESTS. THIS EXCEPTION IS NOT APPLICABLE WHERE THE COMPANY IS SPECIFICALLY OBLIGED TO DISCLOSE SUCH INFORMATION ON THE BASIS OF OTHER LEGAL REQUIREMENTS**

In conformity with the framework agreement dated December 21, 2011 (significant event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L Sole Shareholder Company, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. will permit IBERDROLA, S.A. to terminate the framework agreement, and neither party may make any claims subsequently.

# MANAGEMENT REPORT

On December 17, 2015, Siemens Gamesa Renewable Energy Wind Farms, S.A. (former Gamesa Energía, S.A.U.) (buyer) and GESTIÓN, ELABORACIÓN DE MANUALES INDUSTRIALES INGENIERÍA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. and FUNDACIÓN TECNALIA RESEARCH & INNOVATION (seller) signed a purchase-sale agreement for the shares. On the same date, to oversee the relationship between Gamesa Energía, S.A. Unipersonal and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as future NEM partners (where applicable), the parties signed the Partners' Agreement. By virtue of the terms established in the abovementioned agreement, should control over SIEMENS GAMESA RENEWABLE ENERGY, S.A. (former GAMESA CORPORACIÓN TECNOLÓGICA, S.A.) subsequently take place, Gamesa Energía, S.A.U. must offer the remaining partners direct acquisition of its NEM shares.

On June 17, 2016, effective April 3, 2017, Siemens Gamesa Renewable Energy, S.A. (at the time "Gamesa Corporación Tecnológica, S.A.") and SIEMENS AKTIENGESELLSCHAFT (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to Siemens Gamesa. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although its minimum duration in any case would be three (3) years (i.e., until April 3, 2020).

On March 31, 2017, Siemens Gamesa Renewable Energy, S.A. (at that time, "Gamesa Corporación Tecnológica, S.A."), and SIEMENS AKTIENGESELLSCHAFT (Siemens) entered into a licensing agreement by virtue of which Siemens Gamesa is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, a change of control might lead to termination of the licensing agreement.

By virtue of certain agreements reached as a result of the merger between Siemens Gamesa Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain guarantees with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Furthermore, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party's competitor.

Finally, Siemens Gamesa Renewable Energy, S.A., as a company member of the Siemens Group, has adhered, with an effective date from October 1, 2017, to the Siemens Group insurance program, which includes all-risk property damages insurance policies, civil liability insurance policies, transport, chartering of ships and all-risk construction insurance policies. If SIEMENS GAMESA lost its status as a company member of Siemens AG group, it would lose its right to adhere the aforementioned insurance program.

# MANAGEMENT REPORT

## **16. ANY AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS, OFFICERS OR EMPLOYEES THAT PROVIDE FOR SEVERANCE PAYMENTS IF THEY RESIGN, ARE UNFAIRLY DISMISSED OR IF THEIR EMPLOYMENT CONTRACTS TERMINATE AS A RESULT OF A TAKEOVER BID**

In general, the contracts of executive directors and some managers of the steering committee include a clause giving them the right to receive the economic compensation indicated below in the event that their employment relationship is ended for reasons attributable to the Company and/or due to objective reasons such as a change of ownership. In general terms, the agreed upon economic compensation consists in payment of the amounts corresponding to different periods to a maximum of eighteen months, depending on the personal and professional circumstances under which the agreement was signed. In accordance with the new Remuneration Policy agreed upon by the directors during the general Shareholders Meeting held on June 20, 2017, the above economic compensation has a one-year limit.

Employees recognized for their work who are not directors in general do not receive economic termination benefits different from those established by prevailing law.

## **17. NON FINANCIAL INFORMATION CONSOLIDATED STATEMENT**

The disclosure of non-financial information or related to corporate social responsibility contributes to measure, monitor and manage the performance of the company and its impact on society.

In this context, in order to improve coherence and comparability of the non-financial information disclosed, our company prepares a non-financial information statement which contains information relative, at least, to environmental and social issues, as well as regarding personnel, respect for human rights and the fight against corruption and bribery.

Due to the special circumstances generated by the merger of Gamesa with Siemens' wind power business, as well as to the new Royal Decree-Law 18/2017 which became effective on November 24, 2017, the information contained in this statement reflects the situation included in the period elapsed between April and September, 2017 ("the reporting period").

This information will be further detailed (in a separate additional report) with the Sustainability Report of Siemens Gamesa Renewable Energy, which will be published and released foreseeably during the month of February, 2018.

### **A) BRIEF DEFINITION OF THE GROUP'S BUSINESS MODEL**

The Board of Directors, aware of the responsibilities corresponding to Siemens Gamesa with respect to the company as a whole, is committed to ensuring that its activity is carried out in accordance with a set of values, principles, criteria and attitudes aimed at achieving the sustained creation of value for the shareholders, employees, clients and for the entire company.

### **B) POLICIES THAT THE GROUP APPLIES WITH RESPECT TO THESE ISSUES**

Some of the specific policies including commitments to achieve this goal include the following:

**Corporate governance and regulatory compliance policies:** i) Corporate governance policy; ii) Policy on communications and contact with shareholders, institutional investors and voting advisors; iii) Remuneration policy of the shareholder; iv) Policy for the coordination and definition of the Group and basis of corporate organization; v) Policy on selecting directors; vi) Policy of remuneration of directors; vii) Senior management bylaw; viii) Policy for hiring financial auditors; ix) Policy for crime prevention and fighting fraud; x) Corporate tax policy and xi) Investment and financing policy.

# MANAGEMENT REPORT

**Risk policies:** i) General policy for risk control and management.

**Social responsibility policies:** i) Global policy of corporate social responsibility; ii) Policy of diversity and inclusion; iii) Hiring policy and relationship with suppliers, contractors and collaborators and iv) Climate change policy.

**Global policy of corporate social responsibility:** This global policy establishes the basic principles and the general frame of action for the management of practices of corporate social responsibility assumed by the Group.

**Code of Conduct:** To materialize these corporate values, the Business Code of Conduct<sup>11</sup> governs the conduct of the companies of Siemens Gamesa Renewable Energy, S.A. It also governs people on the performance of their duties and work, as well as in their commercial and professional relationships in order to consolidate the universal accepted corporate ethic. The latest version of the Code of Conduct (revised periodically since its first edition in 2005) was approved by the Board of Directors on April 5, 2016 and it is placed at the disposal of employees on hard copy and also on the website and intranet, along with other important internal and external rules.

**Legality, rights and fundamental liberties statement:** Siemens Gamesa and its Group are committed to respecting legality, human rights and public liberties. In this regard, they shall refrain from complicity in violating valid legality and shall additionally adopt the corresponding international standards and guidelines where no suitable legal instrument exists, encouraging and promoting the integration of the principles of the United Nations Global Compact.

**Labor rights statement:** Siemens Gamesa and its Group are committed to promote and respect workers' rights to associate, organize, and join to labor unions and collective bargaining. Siemens Gamesa and its Group are also committed to eradicate all forms of forced labor, work carried out under arduous, extreme, subhuman or degrading conditions, child labor or work done by children at an age where school is mandatory in the corresponding country, and any type of work under duress. The workday shall accommodate the local legislation in each country, ensuring compliance with the bargaining agreements and recommendations of the International Labor Organization. Likewise, Siemens Gamesa and its Group undertake to comply with the legislation in force regarding remuneration based on the principle of equal pay for work of equal value.

**Fight against fraud. Statement of the rejection to corruption and bribery.** Siemens Gamesa and its Group shall ensure that their activities remain based on the principles of legality and the fight against corruption in all its forms. They also manifest their firm commitment to the principles of the Crime Prevention and Anti-fraud Policy and, in particular, to refraining from practices that could be considered to be irregular in developing their relationships with clients, suppliers, providers, competitors, authorities, etc., including actions concerning money laundering.

**Policy against Climate Change:** This statement was drawn up to fulfill the Overall Corporate Social Responsibility Policy, through which Siemens Gamesa fosters the sustainable use of resources, the culture of respect for the natural environment and the fight against climate change by reducing the environmental impact of the company's activities, defending biodiversity and encouraging information and training on that culture.

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<sup>11</sup> See: <http://www.gamesacorp.com/recursos/doc/accionistas-inversores/gobierno-corporativo/reglamentos-estatutos/english/5.pdf>



# MANAGEMENT REPORT

**Diversity and Inclusion Policy:** The Group has a Diversity and Inclusion Policy carried out which principles apply to all geographic regions where it is present. It aims to ensure equality and inclusion and avoid any kind of discrimination based on race, gender, civil status, ideology, political opinions, nationality, religion or any other personal, physical or social characteristic. The Diversity Committee supervises its fulfillment in a working environment that fosters dignity and respect for everyone.

**Integrated Excellence Policy:** Through its Integrated health and safety on the work, environmental and quality Policy, Siemens Gamesa Renewable Energy, S.A. has set the full satisfaction of internal and external customers as a target for all of its processes. In order to achieve this, the company has established a safe working environment; has ensured maximum respect for the environment throughout the life cycle of its products and has adhered to an advanced quality system.

**Management systems:** The integrated management system includes environmental management in accordance with ISO14001 standard, quality management in accordance with the ISO 9001 standard and health and safety management in accordance with the OHSAS 18001 standard. There are systems to identify the quality, health & safety, environmental and energy-related aspects of the activities, products and services the company monitors and can influence within the scope defined for its integrated management system, taking into account new or planned developments, as well as new or modified activities, products and services. The system requires that all our relevant production and office sites implement such management systems.

## C) RESULTS OF THOSE POLICIES

Continuous improvement and collaboration in the attainment of sustainable development are among Siemens Gamesa Renewable Energy commitments. From a prevention standpoint, the Group fully manages and applies good practices geared at environmental and social protection, preserving the workers' rights, respect to Human Rights and fight against corruption and bribery, and encourages information and training on this culture.

In particular, the Group endorsed the United Nations Global Compact principles (participant ID 4098)<sup>12</sup> and expresses its commitment and support to the promotion of the ten principles of labour rights, human rights, environmental protection and the fight against corruption on a yearly basis. The company annually publishes a Communication on Progress (COP) report, which reviews compliance with such principles. This document is made publicly available on the United Nations Global Compact website.

Also, the Group's Corporate Social Responsibility plan aligns with this target and focuses on positioning in the long term, addressing CSR aspects with relevance for stakeholders and incorporating these expectations into the Company's decision-making and the day-to-day management of its business. This translates into: i) Complying with Global CSR Policy and the policies associated with its development; ii) Making the Group a benchmark partner for customers and investors and a management reference model for other stakeholders.

Additionally, article 11 b) of the Regulations of the Audit, Compliance and Related Party Transactions Committee addresses within the scope and functions of this committee the monitoring of the strategy and practices in relation to corporate social responsibility and assessing its degree of compliance. For this purpose, the Committee will inform, previous to its approval by the Board of Directors, the Sustainability Report (also named as Corporate Social Responsibility Report).

At the end of the reporting period, the Group completed its yearly monitoring cycle. It is concluded that the plan contributed to i) the achievement of the Business Plan 2015-2017, as an additional lever, and to ii) transform the Group into a reference company for clients and investors and into a reference model in management for the rest of the stakeholders. Sustainability policies and strategy remains also a key element for accessing potential new investors and for granting inclusion in international sustainability indexes (i.e. Dow Jones Sustainability Indices, FTSE4Good).

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<sup>12</sup> See: <https://www.unglobalcompact.org/what-is-gc/participants/4098>

# MANAGEMENT REPORT

## D) MAIN RISKS RELATED TO THOSE ISSUES

The Group's General Risk Control and Management Policy <sup>13</sup>, approved in 2009 and last amended by a resolution of the Board of Directors on September 23, 2015, sets out the bases and general context of all the components of risk control and management, providing discipline and structure to aspects such as management objectives and philosophy, the risk identification model, assessment, measurement and control of risks, accepted risk levels, communication, reporting and oversight by the Audit, Compliance and Related Party Committee and the Board of Directors, integrity, ethical values, powers and the assignment of responsibilities.

The Group considers the risk factors in accordance with the Business Risk Model classified into four categories i) Corporate governance, ethics and compliance risks; ii) Strategic and environmental risks; iii) Process risks and iv) Risks associated with information for making decisions or legal requirements.

The company has risk control and management systems that are supported in an appropriate definition and assignment of functions and responsibilities at the operational level and in some procedures, methodologies, support tools and information systems appropriate for the different stages and activities of the system.

## E) KEY INDICATORS OF NON-FINANCIAL RESULTS

### E.1 Environmental issues

#### **E.1.1 Energy consumption.**

Energy consumption within the organization, which includes all facilities, buildings and offices belonging to Siemens Gamesa Renewable Energy Group, is calculated by adding up: i) Primary energy consumption of fuels for the production of products and services and ii) Secondary energy consumption of electricity bought from third parties for buildings and offices. Total internal energy consumption amounted to 477.570 gigajoules in the reporting period. Hence, the figure for energy consumption per employee and year amounted could be estimated to 37 GJ/employee/year. Consumption of natural gas keeps being the most relevant primary energy source representing 54% of the total primary energy demand. Electricity consumption for the reporting period amounts to 290,681 GJ, being relevant that the share of renewable electricity amounted to 58% of the total electricity consumption.

#### **E.1.2 Greenhouse Gas Emissions**

Siemens Gamesa Renewable Energy has taken up the challenge of reaching carbon neutrality in 2025. Becoming carbon neutral is one of the most ambitious climate targets any organization could set, as it requires a process of (i) calculation; (ii) reduction; and (iii) emission offsetting according to the main existing methodologies to determine neutrality. Siemens Gamesa Renewable Energy measures its direct and indirect emissions on an annual basis (measurement of the carbon footprint) with its operating constraints and according to the requirements set forth in the ISO 14064-1 standard. That includes CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>, PFCs and HFCs within the emissions inventory.

Direct greenhouse gas emissions (Scope 1) arise from sources in the Company's ownership or under its control. Include emissions generated by the combustion of materials to generate heat. During the reporting period, Scope 1 emissions amounted to 10,808 tCO<sub>2</sub>-eq. Indirect greenhouse gas emissions (Scope 2) refer to the consumption of purchased electricity and district heating. During the reporting period, Scope 2 emissions amounted to 35,085 tCO<sub>2</sub>-eq. Therefore, the company's total emissions (Scope 1+Scope 2) amounted to 45,893 tons CO<sub>2</sub>-eq during the reporting period.

#### **E.1.3 Waste**

Environmental impacts of waste generated depend on the type of waste and its method of disposal. Our waste performance indicators address both waste recyclability and absolute disposal waste.

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<sup>13</sup> See: <http://www.gamesacorp.com/recursos/doc/accionistas-inversores/gobierno-corporativo/politicas-corporativas/risk-policies/general-policy-for-risk-control-and-management.pdf>

# MANAGEMENT REPORT

We differentiate between hazardous and non-hazardous waste, because this material arises directly from production. The groups of hazardous and non-hazardous waste are each further divided into recyclable waste and waste for disposal. The total volume of waste amounted to 24,387 tons in the reporting period. The ratio of hazardous waste generation to non-hazardous waste generation is set up at 1:10, and the waste overall recycling rate was 79%.

## **E.1.4 Water and waste water**

Water consumption at Siemens Gamesa is mainly produced at manufacturing centers, where the best practices available are used to reduce water withdrawal and consumption and to include reused water in production processes. Total water consumption in the period amounts to 196,575 cubic meters. Water consumption without chemically unchanged cooling water represents close to 3 % of the water consumption balance. Waste water from manufacturing processes amounts to 137,393 cubic meters.

## **E.1.5 Biodiversity**

Wind projects are conducted in a sustainable way that would allow for a balanced coexistence, thus conserving and protecting natural assets. This respect for biodiversity and ecosystems plays a leading role in the company's business strategy. As a general rule, protected areas and areas of high biodiversity value without protection are avoided during the design stage of new infrastructures.

There are different regulatory and voluntary instruments to achieve a positive net balance in relation to the environment, including: i) Group environmental policies and procedures; ii) Full compliance with licenses granted by environmental regulatory authorities at each region, which set out constraints and obligations to ensure the local environment's protection.; iii) Setting environmental and control plans and implementing management systems, the majority of which have been certified according to the ISO 14001 standard to prevent and control environmental risks.

## **E.1.6 Product-related environmental information**

Siemens Gamesa aligns with the process known as Life Cycle Assessment (LCA), which aims to assess the environmental loads associated to a product, process or activity, taking into account its entire life cycle.

This process follows ISO 14040 and 14044 standards and analyzes the entire life cycle of the product and the processes associated to each stage. It defines the environmental impacts related to each phase, stage or unitary process, assessing which are more or less harmful, and serves as a reference model for drawing up future designs and redesigns. The current reporting period shows a 100% rate for products covered with LCAs (16) and Environmental Product Declarations-EPDs (13), as well as a 100% revenue-based coverage ratio within our business.

By continuously increasing the number of LCAs, we gain a comprehensive knowledge base about the environmental footprint we create during the entire lifecycle. At the same time, we use the insight gained from the LCAs to improve not only product-related but also process-related aspects, as well as to help optimize the internal production landscape.

# MANAGEMENT REPORT

## E.2 Social, Personnel & employment issues

### **E.2.1 Employment**

At the end of the reporting period, the total headcount amounted 25,337.40 Full-time employees (FTEs). Full-time employees are employees with an employment contract (permanent & fixed term) calculated based on employment hours compared to standard full-time employment hours. From a geographical perspective, Europe, Middle East and Africa is the most populated region (67.56%), followed by Asia, Australia (18.88%) and Americas (13.54%).

Evidence of diversity within the Group's workforce is that 97 distinct nationalities are employed worldwide.

The ratio of female employees represents an overall 17.92% of the total workforce. By regions, the female gender disclosure represents 20% in Europe, Middle East and Africa, 19.7% in Americas and 9.37% in Asia, Australia.

The share of female employees in management positions rises up to 10.06% within the collective.

The age structure in fiscal year is mostly represented by employees of less than 35 years (41.90%), followed by employees from 35 to 44 years (33.94%); employees from 45 to 54 years (17.92%); employees from 55 to 60 years (4.39%) and finally employees of more than 60 years (1.85%).

On an overall basis, the average age of employees is 38.12 years.

During the reporting period 2,598 employee exits were registered, of which 1,149 were voluntary (44%). On the other hand, the number of hirings in the period amounted 1,841, Europe, Middle East and Africa being the most relevant regions with 64% of the new employee hirings.

The overall employee turnover rate by the end of the reporting period is set up at 4.50%.

Any person having an employment relationship with Siemens Gamesa Renewable Energy is entitled to parental leave and, among other benefits, can form part of an insurable group. The identification and overall management of the social benefits provided in each country is done according to the legislation, uses and customs of the country the employee is at.

### **E.2.2 Occupational health and safety**

Consolidated health and safety management program: The company has a global occupational health and safety management system in place which applies to its global network of centers. Said health and safety management system is duly certified according to the OHSAS 18001 standard. The international OHSAS 18001 standards contribute to reducing occupational accident rates and increasing productivity by ensuring compliance with prevention legislation and promoting a culture of prevention by making prevention an integral part of the company's general systems.

Accident indicator management is governed by internal rules which lays down standard criteria for classifying, recording, notifying, investigating and analyzing incidents in order to determine underlying deficiencies in the prevention system and any other factors which may cause or contribute to incidents occurring; identify the need to implement corrective actions; and identify opportunities for preventive action and continuous improvement.

# MANAGEMENT REPORT

At the end of the reporting period, the number of lost time injuries (LTI) within the Group amounted to a total of 47. As a result, at the end of the period the overall employee Lost time injury frequency rate reached 0.40. This rate is calculated for a period of 200,000 working hours, and includes all accidents that result at least in one lost work day. In the case of contractors, this rate amounts to 0.52.

Group's combined activity for employees and contractors sets the rate on 0.45 at the end of the reporting period.

The occupational illness frequency rate (OIFR) for employees is closed at 0.43, calculated solely on the basis of cases of occupational illness recognized by the Employers' Liability Insurance Association.

The Group performs preventive health check of the employees and their own medical services are responsible for carrying out regular medical check-ups.

Likewise, the Group acts proactively to analyze the reason of the accidents and is equipped with management indicators which show the attainment level of this working philosophy in day-to-day management. This includes, for example, the performance of safety inspections (7,682), safety observations (18,667) and health & safety audits (61) at the end of the reporting period.

## **E.2.3 Training and Education**

Within policies and processes of personnel recruitment, no candidate is discriminated against at any stage of the recruitment process due to reasons of gender, age, race, religion, beliefs or opinions. The evaluation criteria exclusively address professional requirements, ensuring that knowledge, capacities and abilities are assessed. Compliance of prevailing legislation on the recruitment of disabled people and the implementation of actions to eliminate all kind of forced or compulsory labor by eliminating child and compulsory labor to pay back debts and ensure no other kind of forced labor exits.

During the reporting period, training was provided to 20,927 employees (82% of the total) with a cumulative number of training hours of 286,812.

The Group managed 583 graduates - includes interns and students - at the end of the reporting period of which 491 (84%) were internal, that is, were paid for work while were studying.

## **E.2.4 Diversity and equal opportunities**

The Group has implemented a Diversity and Inclusion Policy, whose principles apply to every geographic regions where it is present. It aims to ensure equality and inclusion and to avoid any kind of discrimination based on race, gender, civil status, ideology, political opinions, nationality, religion or any other personal, physical or social characteristic. The Diversity Committee oversees its fulfillment in a working environment that fosters dignity and respect for everyone.

## **E.2.5 Local Communities**

The company is involved in local communities where it operates through action programs aiming to create well-being, generating local economic income and fostering local technological development through initiatives like, but not limited to, the following: i) cooperation programs for local development; ii) programs for access to education and skills development; iii) programs aimed to conserve local culture; iv) providing health services; v) programs aiming to strengthen the community's institutions, groups and local authorities; and vi) environmental, social and cultural programs involving local networks and other institutions.

# MANAGEMENT REPORT

Within the reporting period, the following local community programs are in place:

- Training and economic empowerment of Aboriginal women through microcredits in agriculture in the region of Gujarat (India).
- Nursery school for Motiya (India). This solidarity project aims to build a kindergarten to take care of the children of the town while their parents work.
- Gamesa Soccer League III (India). Youngsters from India's rural areas to develop their sporting skills at a soccer training campus while, at the same time, being taught on how to take care of the environment and good eating habits.
- Telecentros Project II (Brazil). Fostering technology literacy through free centers where teenagers suffering a risk of exclusion can develop their computer skills.
- Promotion of healthy lifestyles among girls, boys and young people from Unión Hidalgo in the Isthmus of Oaxaca Region (Mexico).
- Mulheres que criam - Camaçari (Brazil). Fostering the economic sustainability of the Nossa Senhora do Amparo mothers group by sustaining the activities of a printing school, thereby generating jobs and resources for economically vulnerable women.

## E.3 Respect to Human Rights

In compliance with the Group's policies, the human rights complaint procedures and tools that Siemens Gamesa places at the disposal of its stakeholders and its management processes are reflected in the group's Code of Conduct, the Crime Prevention and Anti-Fraud Manual, as well as on the corporate website and the intranet.

Siemens Gamesa has a Whistleblowing Channel through which the company's employees can get in touch with the Ethics and Compliance Department to report activities that are unethical, lack integrity or go against the principles contained in the Code of Conduct.

- The company and, as appropriate, the parent companies of the group's business units (regional) have a Whistleblowing Channel that allows third parties and the group's professionals to report confidentially any conduct that could involve a breach of the Code of Conduct and crime prevention measures.
- On an exceptional basis, when the grievances have to do with workplace harassment in the workplace, they should be sent to the Human Resources Department, which holds responsibility for investigating and concluding such cases according to the Harassment Prevention Protocol.

By the end of the reporting period, the number of reported and confirmed compliance cases amounts to 28. The number of disciplinary sanctions put in place during the period amounts to 6.

## E.4 Fight against corruption

The Group ensures that its activities are based on the principle of respect for the law and the fight against corruption in all its forms, and work to establish the best guidelines to govern both the conduct of their people and the processes by defining working and decision making methods. In particular, it adopted a set of measures designed to prevent, detect and react to any offenses that might be committed, and to combat fraud:

- Article 3.8 in the group's Code of Conduct ensures that activities are based on the principle of respect for the law and the fight against corruption in all its forms and state their firm commitment to the Crime Prevention and Anti-Fraud Policy's principles, particularly by not performing any actions that may be deemed irregular in their relationships with customers, providers, suppliers, competitors, authorities, etc., including money laundering.
- The risk maps and crime controls for Spain, Italy, Mexico, China, India, the USA and Brazil were updated.
- The Crime Prevention and Anti-Fraud Manuals (which include corruption) were completed for the group's main Spanish and Italian subsidiaries.

# MANAGEMENT REPORT

- The rule on the prevention of conflicts of interest, which implements Article 3.9 of the Code of Conduct on conflicts of interest, was updated.
- Contractual clauses which specifically govern the prohibition of corruption in all its forms have been included.
- According to the Contract Approval Procedure, certain agreements (like Consultancy Agreements) have to be approved or rejected by the Ethics and Compliance Department to ensure that certain contracts include mandatory anti-corruption clauses in keeping with the guidelines set by the company.
- The corruption inherent risk to the group's activities was analyzed and explained in all training actions carried out on the Code.

# MANAGEMENT REPORT

## Annex

### Reconciliation of pro-forma information

Million Eur	1Q16 (Pro- forma)	2Q16 (Pro- forma)	3Q16 (Pro- forma)	4Q16 (Pro- forma)	FY16 (Pro- forma)	1Q17 (Pro- forma)	2Q17 (Pro- forma)	3Q17	4Q17	FY17 (Pro- forma)
Revenues	2,181	2,534	2,899	2,827	10,441	2,764	3,178	2,693	2,329	10,964
WTG	1,918	2,298	2,621	2,535	9,372	2,475	2,891	2,393	2,008	9,766
Services	263	236	278	292	1,069	289	287	300	321	1,198
Gamesa	971	1,064	1,127	1,147	4,310	1,273	1,546	na	na	na
Siemens Wind Power	1,197	1,460	1,722	1,597	5,976	1,384	1,516	na	na	na
Adwen	13	10	49	83	155	107	116	na	na	na
Underlying EBIT Pre-PPA	158	262	266	259	945	269	313	211	-19	774
Margin	7.2%	10.4%	9.2%	9.2%	9.1%	9.7%	9.9%	7.8%	-0.8%	7.1%
Gamesa	87	119	112	110	427	138	181	na	na	na
Siemens Wind Power	87	158	163	157	565	142	146	na	na	na
Adwen	-16	-14	-9	-7	-47	-11	-15	na	na	na



## Annex

### Alternative Performance Measures

Siemens Gamesa Renewable Energy ("SGRE") financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Measures (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 SGRE's 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 SGRE's financial disclosures that cannot be directly reconciled with them are as follows:

#### 1. Net financial debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings less cash and cash equivalents.

Net Financial Debt is the main APM used by Siemens Gamesa Renewable Energy management to measure the Group's indebtedness and leverage.

Million Eur		
	Opening balance sheet 04.03.2017	09.30.2017
<i>Financial Statements line item</i>		
Cash and cash equivalents	3,041	1,659
Short-term debt and current maturities of long-term debt	(393)	(797)
Long-term debt	(660)	(485)
<b>Cash/(Net Financial Debt)</b>	<b>1,988</b>	<b>377</b>

#### 2. 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. Siemens Gamesa Renewable Energy 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.

# MANAGEMENT REPORT

Million Eur			
<i>Financial Statements line item</i>	<b>09.30.2016 (pro forma)</b>	<b>Opening Balance Sheet 04.03.2017</b>	<b>09.30.2017</b>
Trade and other receivables	1,854	1,409	1,081
Trade receivables from related companies	1,082	2	62
Inventories	2,699	2,957	3,455
Other current assets	484	533	341
Trade payables	(2,765)	(2,601)	(2,232)
Trade payables to related companies	(610)	-	(364)
Other current liabilities	(2,124)	(2,893)	(2,645)
<b>Working Capital</b>	<b>621</b>	<b>(592)</b>	<b>(300)</b>

The comparable figures as of September 30, 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred as of September 30, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur				
09.30.2016 (Pro Forma)				
<i>Financial Statements line item</i>	<b>Siemens Wind Power</b>	<b>Gamesa</b>	<b>Adwen</b>	<b>SGRE Pro Forma</b>
Trade and other receivables	715	1,051	88	1,854
Trade receivables from related companies	791	292	-	1,082
Inventories	1,596	911	192	2,699
Other current assets	220	257	7	484
Trade payables	(799)	(1,821)	(145)	(2,765)
Trade payables to related companies	(315)	(294)	-	(610)
Other current liabilities	(1,962)	(157)	(6)	(2,124)
<b>Working Capital</b>	<b>245</b>	<b>239</b>	<b>137</b>	<b>621</b>

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.

The **Working Capital consumption** is calculated as a difference between Working Capital as of the merger transaction date (April 3, 2017) and Working Capital as of September 30, 2017.

Million Eur		<b>4Q17</b>
<b>Working Capital @ April 3, 2017</b>		(592)
<b>Working Capital @September 30, 2017</b>		(300)
<b>Variation (consumption)</b>		<b>292</b>

# MANAGEMENT REPORT

## 3. Capital Expenditure (Capex)

Capital Expenditure (capex) refers to investments made in the period in property, plant and equipment and intangible assets in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex). This APM does not include the allocation of the purchase price (the PPA exercise) to property, plant and equipment and intangible assets that has been performed in context of the merger transaction of Siemens Wind Power and Gamesa (the business combination).

The amount of Capex is the following:

Million Eur		
	4Q16 (Pro forma)	4Q17
Acquisition of intangible assets	(33)	(12)
Acquisition of Property, Plant and Equipment	(157)	(95)
<b>CAPEX</b>	<b>(189)</b>	<b>(107)</b>

Million Eur - QTD		
	3Q16 (Pro forma)	3Q17
Acquisition of intangible assets	(35)	(59)
Acquisition of Property, Plant and Equipment	(91)	(131)
<b>CAPEX</b>	<b>(126)</b>	<b>(190)</b>

The comparable figures for the 4<sup>th</sup> Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	4Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	(4)	(17)	(12)	(33)
Acquisition of Property, Plant and Equipment	(109)	(45)	(2)	(157)
<b>CAPEX</b>	<b>(113)</b>	<b>(62)</b>	<b>(14)</b>	<b>(189)</b>

Million Eur	3Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	-	(22)	(13)	(35)
Acquisition of Property, Plant and Equipment	(47)	(31)	(13)	(91)
<b>CAPEX</b>	<b>(47)</b>	<b>(53)</b>	<b>(27)</b>	<b>(126)</b>

# MANAGEMENT REPORT

## 4. 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). SGRE 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 provision charges) and income from equity-accounted affiliates.

**Net operating cash flow:** the result of deducting working capital (defined in item 2) 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 April 3, 2017 and September 30, 2017 (defined in item 1 above).

## 5. 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.

The comparable figures for Quarters prior to the 3<sup>rd</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before April 1, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. Further details of this pro forma calculation follow:

Million Eur	Pro Forma				3Q17	4Q17
	3Q16	4Q16	1Q17	2Q17		
<b>Group Sales</b>	<b>2,899</b>	<b>2,827</b>	<b>2,764</b>	<b>3,178</b>	<b>2,693</b>	<b>2,329</b>
WTG (1)	2,621	2,535	2,475	2,891	2,393	2,008
Onshore	1,860	1,718	1,812	2,181	1,363	1,207
Offshore	761	816	663	709	1,030	801
Services	278	292	289	287	300	321
<b>MWe WTG (2)</b>	<b>2,590</b>	<b>2,294</b>	<b>2,268</b>	<b>2,964</b>	<b>1,950</b>	<b>1,649</b>
<b>MWe Onshore</b>	<b>2,041</b>	<b>1,806</b>	<b>1,845</b>	<b>2,534</b>	<b>1,488</b>	<b>1,384</b>
<b>MWe Offshore</b>	<b>549</b>	<b>488</b>	<b>423</b>	<b>430</b>	<b>461</b>	<b>265</b>
<b>ASP Total(1/2)</b>	<b>1.01</b>	<b>1.10</b>	<b>1.09</b>	<b>0.98</b>	<b>1.23</b>	<b>1.22</b>

# MANAGEMENT REPORT

## 6. Revenues and EBIT

**Revenues LTM (Last Twelve Months):** this APM is calculated by aggregation of the quarterly revenues for the last four quarters.

The comparable figures for quarters prior to the 3<sup>rd</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before September 30, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

<i>Million Eur</i>	<b>FY 16 (Pro-forma)</b>	<b>1Q16 (Pro-forma)</b>	<b>2Q16 (Pro-forma)</b>	<b>3Q16 (Pro-forma)</b>	<b>4Q16 (Pro-forma)</b>
WTG	9,372	1,918	2,298	2,621	2,535
Services	1,069	263	236	278	292
<b>TOTAL</b>	<b>10,441</b>	<b>2,181</b>	<b>2,534</b>	<b>2,899</b>	<b>2,827</b>

<i>Million Eur</i>	<b>FY 17 (Pro-forma)</b>	<b>1Q17 (Pro-forma)</b>	<b>2Q17 (Pro-forma)</b>	<b>3Q17</b>	<b>4Q17</b>
WTG	9,766	2,475	2,891	2,393	2,008
Services	1,198	289	287	300	321
<b>TOTAL</b>	<b>10,964</b>	<b>2,764</b>	<b>3,178</b>	<b>2,693</b>	<b>2,329</b>

**EBIT (Earnings Before Interest and Taxes):** operating profit per the consolidated income statement. It is calculated as Income (loss) from continuing operations before income taxes, before 'Income (loss) from investments accounted for using the equity method', interest income and expenses and 'Other financial income (expenses), net'.

**Underlying EBIT (Earnings Before Interest and Taxes) pre-PPA:** EBIT excluding integration costs related to the merger transaction and the impact on amortization of intangibles' fair value from of the Purchase Price Allocation (PPA).

<b>Million Eur</b>		
	<b>4Q16 (Pro Forma)</b>	<b>4Q17</b>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	246	(208)
(-) Income from investments acc. for using the equity method, net	4	(1)
(-) Interest income	(7)	(4)
(-) Interest expenses	17	16
(-) Other financial income (expenses), net	0	(1)
<b>Reported EBIT</b>	<b>259</b>	<b>(197)</b>
(-) Integration costs	-	67
(-) PPA impact	-	111
<b>Underlying EBIT pre-PPA</b>	<b>259</b>	<b>(19)</b>

# MANAGEMENT REPORT

The comparable figures for the 4<sup>th</sup> Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	4Q16 (Pro Forma)				
	Siemens Wind Power	Gam esa	Adw en	Pro forma adjustments	SGRE proforma
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	132	97	(10)	27	246
(-) Income from. investments acc. for using the equity method, net	1	3	-		4
(-) Interest income	(0)	(7)	(0)		(7)
(-) Interest expenses	2	13	3		17
(-) Other financial income (expenses), net	(4)	4	(0)		0
<b>Reported EBIT</b>	<b>130</b>	<b>110</b>	<b>(7)</b>	<b>27</b>	<b>259</b>
(-) Integration costs					-
(-) PPA impact					-
<b>Underlying EBIT pre-PPA</b>	<b>130</b>	<b>110</b>	<b>(7)</b>	<b>27</b>	<b>259</b>

**Reported/Underlying EBIT pre-PPA LTM:** this APM is calculated by aggregation of the quarterly Reported/Underlying EBIT for the last four quarters.

The comparable figures for quarters prior to the 4<sup>th</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before September 30, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	FY 16 (Pro-forma)	1Q16 (Pro-forma)	2Q16 (Pro-forma)	3Q16 (Pro-forma)	4Q16 (Pro-forma)
<b>Reported EBIT</b>	945	158	262	266	259
(-) Integration costs	-				
(-) PPA impact	-				
<b>Underlying EBIT pre PPA</b>	<b>945</b>	<b>158</b>	<b>262</b>	<b>266</b>	<b>259</b>

Million Eur	FY 17 (Pro-forma)	1Q17 (Pro-forma)	2Q17 (Pro-forma)	3Q17	4Q17
<b>Reported EBIT</b>	428	269	305	50	(197)
(-) Integration costs	111	-	8	36	67
(-) PPA impact	235	-	-	124	111
<b>Underlying EBIT pre PPA</b>	<b>774</b>	<b>269</b>	<b>313</b>	<b>211</b>	<b>(19)</b>

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

**Underlying EBIT pre-PPA margin:** ratio of underlying EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

# MANAGEMENT REPORT

## 7. Net income and Net income per share (EPS) – Reported and underlying

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

**Underlying net income pre-PPA:** net profit excluding after tax impact of integration costs related to the merger transaction and the after tax impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA).

Million Eur		
	4Q17	H2 17
<b>Net Income</b>	<b>(147)</b>	<b>(135)</b>
(-) Integration costs	67	103
(-) PPA impact	111	235
(-) Tax effect of integration cost and PPA impact	(49)	(86)
<b>Underlying Net Income pre-PPA</b>	<b>(17)</b>	<b>118</b>

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

**Underlying net income pre-PPA per share:** the result of dividing underlying net profit by the average number of shares outstanding in the period (excluding treasury shares).

	4Q17	H217
Underlying Net Income (Million Eur)	(17)	118
Number of shares (units)	679,471,221	676,417,806
<b>Underlying Earnings pre-PPA Per Share (€/share)</b>	<b>(0.03)</b>	<b>0.17</b>

## 8. Other indicators

**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: 09-30-2017

TAX ID NO. A01011253

Company Name:

SIEMENS GAMESA RENEWABLE ENERGY, 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
04-03-2017	115,794,374.94	681,143,382	681,143,382

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	
SIEMENS AKTIENGESELLSCHAFT	205,178,132	SIEMENS BETEILIGUNGEN INLAND GMBH	196,696,463	59.00
IBERDROLA, S.A.		IBERDROLA PARTICIPACIONES, S.A. (SOCIEDAD UNIPERSONAL)	54,977,288	8.071

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

Shareholder's name or company name	Operation date	Operation description
NORGES BANK	01/19/2017	Decreased its shareholding under 3% down to 2.992%
NORGES BANK	01/24/2017	Increased its shareholding more than 3% up to 3.087%
NORGES BANK	01/25/2017	Decreased its shareholding under 3% down to 2.866%

NORGES BANK	03/13/2017	Increased its shareholding more than 3% up to 3.128%
NORGES BANK	03/14/2017	Decreased its shareholding under 3% down to 2.631%
SIEMENS AKTIENGESELLSCHAFT	04/03/2017	Increased its shareholding more than 50% up to 59.00%

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	
Hernández García, Gloria	1,200		0	0.000 %
Rubio Reinoso, Sonsoles	1,030		0	0.000 %
Rodríguez-Quiroga Menéndez, Carlos	315		0	0.000 %
Cendoya Aranzamendi, Andoni	300		0	0.000 %
García García, Rosa María	0		0	0.000 %
Tacke, Markus	0		0	0.000 %
Davis, Lisa	0		0	0.000 %
Thomas, Ralf	0		0	0.000 %
Conrad, Swantje	0		0	0.000 %
Rosenfeld, Klaus	0		0	0.000 %
Von Schumann, Mariel	0		0	0.000 %
Sen, Michael	0		0	0.000 %

<b>Total % of voting rights in the power of the Board of Directors</b>	0.000 %
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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. / Siemens Gamesa Renewable Energy Eolica, S.L.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Energy A/S	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power AB	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Energy Limited	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power GmbH & Co. KG	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power GmbH & Co. KG, Hamburg	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Inc.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Limited, Oakville	CONTRACTUAL	SEE SECTION D.2.

SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Energy d.o.o.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Pty Ltd	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Blades (Shanghai) Co., Ltd.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power B.V.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Blades, SARL AU	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 ☒ X

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	67,071%	In fulfillment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2 (the "Capital Companies Law"), IBERDROLA, S.A. ("IBERDROLA") informed Gamesa Corporación Tecnológica, S.A. ("GAMESA") on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA and Iberdrola Participaciones, S.A. (Sociedad Unipersonal), as shareholders (non-direct and direct, respectively) of GAMESA, on one hand, and Siemens Aktiengesellschaft ("SIEMENS AG"), on the other hand. The contract was signed in the context of the process of combination of the wind energy businesses of GAMESA and SIEMENS AG through the merger by absorption of Siemens Wind Holdco, S.L. (Sociedad Unipersonal) ("Siemens

		Wind Holdco”) by GAMESA (the “Merger”). This shareholders’ agreement governs, among other matters, the relationships of the parties as future shareholders of GAMESA after the Merger (the “Shareholders’ Agreement”). The Merger became finally effective on April 3, 2017.
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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
SIEMENS AKTIENGESELLSCHAFT

Observations
The significant shareholder SIEMENS AG owns 59% of the share capital of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (“SIEMENS GAMESA” or the “Company”, and the group of companies of which Siemens Gamesa is the parent company, the “Siemens Gamesa Group” or simply the “Group”) and therefore can exercise control over it according to article 42 of the Commerce Code. The Company has five external proprietary directors representing SIEMENS AG in the Board of Directors.

- 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
1,707,508	0	0.251

(\*) Using the:

Direct shareholder's name or company name	Number of direct shares
<b>Total:</b>	

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), 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")</i>, these issuers must inform the National Securities Market Commission (<i>Comisión Nacional del Mercado de Valores</i> or "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 either a single or successive transactions.</p> <p>In this regard, during the 2017 fiscal year SIEMENS GAMESA made four announcements of direct acquisitions of treasury stock, which three of them exceeded the 1% threshold of the voting rights since the previous similar announcement, and one of them was an update resulting from the change of the number of voting rights of the Company after the effectiveness of the capital increase derived from the Merger. The announcements made are detailed below:</p> <ul style="list-style-type: none"> <li>• Announcement dated on January 13, 2017, with a total number of directly acquired shares of 2,858,279, representing a capital share of 1.02%.</li> <li>• Announcement dated on March 7, 2017, with a total number of directly acquired shares of 2,835,806, representing a capital share of 1.02%.</li> <li>• Announcement dated on April 19, 2017, with a total number of directly acquired shares of 1,482,733, representing a capital share of 0.22%.</li> <li>• Announcement dated on August 24, 2017, with a total number of directly acquired shares of 6,857,220, representing a capital share of 1.01%.</li> </ul>

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, under point nine of its agenda, 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:

	%
<b>Estimated free float</b>	32,678

- 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 Siemens Gamesa Bylaws is governed by: (i) articles 285 through 290 of the Capital Companies Law; (ii) the Company's own Bylaws; and (iii) the Shareholders' General Meeting Regulations.

Articles 14 h) of the Bylaws and 6.1 h) of the Shareholders' General Meeting Regulations state that this capacity pertains to the Siemens Gamesa's General Shareholders Meeting.

Articles 18 of the Bylaws and 26 of the Shareholders' General Meeting Regulations include the quorum requirements and articles 26 of the Bylaws and 32 of the Shareholders' General Meeting Regulations stipulate the majorities necessary for adopting decisions by the Shareholders' General Meeting. All mentioned articles refer to the legal provisions on these matters.

Article 31.4 of the Shareholders' General Meeting Regulations states that the Board of Directors, in accordance with the law, will submit proposals for different agreements regarding matters that are substantially independent, so the shareholders may separately exercise their voting rights. In the context of Bylaws' amendments, this rule implies that each article or group of articles which are substantially independent will constitute a separate proposal which will be individually submitted for approval.

Finally, in accordance with article 518 of the Capital Companies Law, with the notice convening the Shareholders' General Meeting which agenda contains a proposal to amend the Bylaws, the Company's website will post the complete text of the agreement proposals referring to such 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	
06-20-2017	9.42	75.46	0.00	0.00	84.88
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

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
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- 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 SIEMENS GAMESA rule in its article 48 the Company's website according to the current legislation.

The Company's website holds all the mandatory information and content which must be published (directly accessible at <http://www.gamesacorp.com/en/investors-and-shareholders/>) according to the restated Text of the Law on the Securities Market, approved by Royal Legislative Decree 4/2015, of October 23, ("**Securities Market Act**"), 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 CNMV 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.

Regarding this mandatory content, the Company pursues to continuously improve its accessibility by the public, particularly the shareholders and investors, and is continuously updated in accordance with the applicable law.

Mandatory content can be accessed through the home page of the Company's website. Access is located on the top of the webpage, under the title "Shareholders and Investors", which contains a drop-down index with all the content that needs to be included on the listed companies' websites pursuant to the legislation mentioned above.

Moreover, such index is also available on the bottom of the home page of the website, being fully displayed, to that each item on the index can be directly clicked on.

In addition to the above, the Company's website contains other of information of interest for shareholders and investors and news referring to the Company's activity

See note (B.7) in Section H of this report.

## 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:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	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
García García, Rosa María		External Proprietary	Chairwoman	04-03-2017	04-03-2017	General Meeting
Tacke, Markus		Executive	Chief Executive Officer	05-08-2017	06-20-2017	General Meeting
Rodríguez-Quiroga Menéndez, Carlos		Executive	Director and Secretary	09-27-2001	06-20-2017	General Meeting
Davis, Lisa		External Proprietary	Director	04-03-2017	04-03-2017	General Meeting
Conrad, Swantje		Independent	Director	04-03-2017	04-03-2017	General Meeting
Rosenfeld, Klaus		Independent	Director	04-03-2017	04-03-2017	General Meeting
Rubio Reinoso, Sonsoles		External Proprietary	Director	12-15-2011	06-22-2016	General Meeting
Thomas, Ralf		External Proprietary	Director	04-03-2017	04-03-2017	General Meeting
Von Schumann, Mariel		External Proprietary	Director	04-03-2017	04-03-2017	General Meeting
Hernández García, Gloria		Independent	Director	05-12-2015	05-12-2015	General Meeting
Cendoya Aranzamendi, Andoni		Independent	Director	05-12-2015	05-12-2015	General Meeting
Sen, Michael		External Proprietary	Director	05-10-2017	06-20-2017	General Meeting

<b>Total number of directors</b>	12
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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
Villalba Sánchez, Francisco Javier	External Proprietary	03-29-2017
Arregui Ciarsolo, Juan Luis	Independent	04-03-2017
Vázquez Egusquiza, José María	Independent	04-03-2017
Lada Díaz, Luis	Independent	04-03-2017
Aracama Yoldi, José María	Independent	04-03-2017

Aldecoa Sagastasoloa, José María	Independent	04-03-2017
Codes Calatrava, Gerardo	External Proprietary	04-03-2017
Martin San Vicente, Ignacio	Executive	05-08-2017
Helmrich, Klaus	External Proprietary	05-08-2017
Cortés Domínguez, Luis Javier	Independent	08-30-2017

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**

<b>Director's name or company name</b>	<b>Position in the company's organizational chart</b>
Tacke, Markus	CEO
Rodríguez-Quiroga Menéndez, Carlos	Director-Secretary of the Board of Directors and Legal Counsel

<b>Total number of executive directors</b>	2
<b>% of the total of the board</b>	16,67

#### **EXTERNAL PROPRIETARY DIRECTORS**

<b>Director's name or company name</b>	<b>Name or company name of the significant shareholder acting as representative or who approved his/her appointment</b>
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.
García García, Rosa María	SIEMENS AKTIENGESELLSCHAFT
Davis, Lisa	SIEMENS AKTIENGESELLSCHAFT
Von Schumann, Mariel	SIEMENS AKTIENGESELLSCHAFT
Thomas, Ralf	SIEMENS AKTIENGESELLSCHAFT
Sen, Michael	SIEMENS AKTIENGESELLSCHAFT

<b>Total number of proprietary directors</b>	6
<b>% of the total of the board</b>	50

### **INDEPENDENT EXTERNAL DIRECTORS**

<b>Director's name or company name</b>	<b>Profile</b>
Conrad, Swantje	<p>Born in Stuttgart (Germany), she holds the position of Member of the Board of Directors, of the Audit, Compliance and Related Party Transactions Committee and of the Appointments and Remunerations Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</p> <p>Dual degree in Business Administration and in Industrial Engineering from the University of Karlsruhe (Germany) and Master in International Business Studies from the University of South Carolina (USA) as a fellow of the D.A.A.D. (German Academic Exchange Service).</p> <p>She has extensive experience in the financial and banking sectors, as she worked for more than 25 years at J.P. Morgan in Germany, the United Kingdom and the United States of America, in the areas of corporate finance, mergers and acquisitions, capital markets and institutional asset servicing. Likewise, she has a wide experience as a highly ranked equity research analyst and specialist sales leading the pan-European diversified industrials, automotive and aerospace team.</p> <p>She is also a Non-Executive Director and Member of the Audit and Nomination Committees of the F&amp;C Private Equity Investment Trust plc (Edinburgh) and a trustee and member of the Finance Sub-Committee at the not-for-profit Whitechapel Gallery (London).</p>
Rosenfeld, Klaus	<p>Born in Bonn (Germany), he holds the position of Member of the Board of Directors and of the Appointments and Remuneration Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</p> <p>After an apprenticeship at Dresdner Bank and his military service he graduated in Business Administration from the University of Münster (Germany).</p> <p>Currently, he is the CEO of Schaeffler AG, a leading automotive and industrial supplier, a position he was appointed to in June 2014.</p> <p>He started his professional career in 1993 holding several positions in the Investment Banking Division in Dresdner Bank AG. In 2002 he became member of the Board of Directors, being responsible for Finance and Controlling, Compliance and Corporate investments Dresdner Bank AG.</p>

	<p>He joined the Schaeffler AG in March 2009 as Chief Financial Officer. During this period he led the corporate and financial restructuring of the group, after the takeover bid for Continental AG, and led, in 2012, Schaeffler AG's access to the debt markets and its IPO in October 2015.</p> <p>He is also a member of the management and supervisory bodies of various industrial companies. In particular, he is a member of the Supervisory Board and the Audit Committee of Continental AG, in Hanover (Germany), and the Board of Directors of Schaeffler India Ltd., in Mumbai (India). He is also a member of the Executive Committee of the Federation of German Industries (BDI) in Berlin.</p>
Hernández García, Gloria	<p>Born in Madrid, she holds the position of Member of the Board of Directors and Chairwoman of the Audit, Compliance and Related Party Transactions Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</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 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>

	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.
Cendoya Aranzamendi, Andoni	<p>Born in in Deba (Gipuzkoa), he holds the position of Member of the Board of Directors and Chairman of the Appointments and Remunerations Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</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> <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.</p>

<b>Total number of independent directors</b>	4
<b>Total % of the board</b>	33,33

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

<b>Total number of other external directors</b>	0
<b>Total % of the board</b>	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
<b>Executive</b>	0	0	0	0	0%	0%	0%	0%
<b>Proprietary</b>	4	1	2	1	66.67%	33.33%	66.67%	50%
<b>Independent</b>	2	1	1	0	50%	14.29%	14.29%	0%
<b>Other External</b>	0	0	0	0	0%	0%	0%	0%
<b>Total:</b>	6	2	3	1	50%	16.67%	25%	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
In the procedures for the appointment of new directors, the Appointments and Remunerations Committee actively seeks, either directly or with external advice from outsourced companies, to include female candidates pursuant to the guidelines included in the "Policy on selecting Directors" approved by the Board of Directors on 23 September 2015.

Article 7.5 of the Regulations of the Appointments and Remunerations Committee contemplates that the duties of the Committee include to “*set a representation target for the gender that is least represented on the Board of Directors and prepare guidelines on how to achieve it*”.

In this regard, section 4 of the Director Selection Policy refers to the requirements that the candidates must meet to be appointed as a director. This section includes the “Diversity principle” which establishes that the procedures for the appointment of directors must be free from any implicit bias that might imply any discrimination or prevent the selection of female directors. Additionally, it includes the objective that female directors represent, in 2020, at least 30 % of the Board of Directors.

This objective matches Recommendation 14 of the Code of good governance for listed entities approved by the CNMV on 18 February 2015 (the “Good Governance Code”).

During the 2017 fiscal year, four female were appointed as members of the Board of Directors after the effectiveness of the Merger, once the public deed of Merger between GAMESA and SIEMENS WIND HOLDCO was registered with the Biscay Commercial Registry. The appointments took place on the Extraordinary Shareholders’ General Meeting held on October 25, 2016 but their effectiveness, as aforementioned, was conditional to the registration of the Merger. These four new directors were:

- 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 effectiveness of these appointments and taking into account the corporate governance issues included in the Shareholders’ Agreement (see section A.6), the post-Merger Board of Directors was made up of 46% of women but it shall be pointed out that at September 30, 2017 a vacancy existed in the Board of Directors (which was fulfilled on October 20, 2017 with the appointment by cooption of Mr. Alberto Alonso), so that the percentage rises to 50% of women. Anyway both percentages surpass, three years in advance, the 30% target.

See note (C.1.5) in Section H of this report

- 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 and Remunerations 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 and Remunerations Committee stipulates also a further duty of the Committee, namely to <i>“ensure that the selection procedures are not implicitly biased so as to imply discrimination”</i>.</p> <p>Section 4 c) of the “Policy on selecting Directors” 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 and Remunerations Committee arrived at the following conclusions in 2017 insofar as verification of compliance with the Director Selection Policy:

- During the 2017 fiscal year, the Company met that stipulated in the law, the Siemens Gamesa Corporate Governance Standards and the recommendations of the *Code of Good Governance* in its selection processes and appointment of directors.

- Specifically, the Appointments and Remunerations Committee expressly verified that the selection of candidates for director and their subsequent appointment as members of the Board of Directors during the 2017 fiscal year was made in accordance with that stipulated in the "Director Selection Policy," approved by the Board of Directors during its session on September 23, 2015.
- With respect to gender diversity in the composition of the Board of Directors, Siemens Gamesa currently exceeds the aim of having the presence of at least 30% women in 2020, established in the *Policy*. To this respect, on the date of this report, the Company has 6 women on its Board of Directors, representing 46% of its members, calculated on 13 members although at September 30, 2017 a vacancy pending to be fulfilled existed.
- The Company commits to continue improving the application of the criteria, principles and standards of good governance applicable when selecting directors and will promote these selection processes having independent profiles, with international, specialized and trustworthy professional experience in the business areas of Siemens Gamesa.

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 SIEMENS 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 Remunerations 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 attempt to include Proprietary and Independent Directors 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 owners of these stocks with the Company."*

Further, article 13.4 of the cited Regulations establishes that *"the provisions in this chapter will be understood notwithstanding the complete freedom of the General Shareholders' Meeting to make decisions on the appointment of Directors."*

Currently, the Board of Directors of Siemens Gamesa is integrated by the following external proprietary directors:

- Ms. Sonsoles Rubio Reinoso, appointed on December 14, 2011 by motion of Iberdrola and last re-elected at the General Shareholder Meeting on June 22, 2016.
- Ms. Rosa María García García, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and her appointment became effective on April 3, 2017.
- Ms. Lisa Davis, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and her appointment became effective on April 3, 2017.
- Mr. Ralf Thomas, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and his appointment became effective on April 3, 2017.
- Ms. Mariel von Schumann, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and her appointment became effective on April 3, 2017.
- Mr. Michael Sen, appointed by cooption by the Board of Directors on May 8, 2017 by motion of Siemens AG as substitute of Mr. Klaus Helmrich and last re-elected at the Shareholders' General Meeting on June 20, 2017.

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
Villalba Sánchez, Francisco Javier	Personal reasons
Arregui Ciarsolo, Juan Luis	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Vázquez Egusquiza, José María	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Lada Díaz, Luis	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Aracama Yoldi, José María	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Aldecoa Sagastasoloa, José María	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Codes Calatrava, Gerardo	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Martín San Vicente, Ignacio	Personal reasons
Helmrich, Klaus	Personal reasons
Cortés Domínguez, Luis Javier	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
Tacke, Markus	The Board of Directors of SIEMENS GAMESA, in its meeting held on June 20, 2017, unanimously agreed, following a favorable report from the Appointments and Remunerations Committee, to re-elect Mr. Markus Tacke as CEO of the Company delegating in his favor all powers which, according to the law and the By-laws correspond to the Board of Directors, except those which cannot be delegated pursuant the law and the By-laws, an appointment which was accepted by Mr. Tacke 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?
Tacke, Markus	Siemens Gamesa Renewable Energy A/S	Member of the Board of Directors	No

See note (C.1.11) in Section H of this report.

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
Rosenfeld, Klaus	Schaeffler AG	CEO (Chief Executive Officer)
	Continental AG	Member of the Supervisory Board and of its Audit Committee
	Schaeffler India Ltd	Member of the Board of Directors
Conrad, Swantje	F&C PRIVATE EQUITY INVESTMENT TRUST	Member of the Board of Directors

See note (C.1.12) in Section H of this report.

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 X

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><b>Article 10. Incompatibilities for becoming a Director</b></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:

<b>Remuneration of the Board of Directors (thousands of euros)</b>	8,161
<b>Amount of the rights accumulated by the current directors regarding pensions (thousands of euros)</b>	0
<b>Amount of the rights accumulated by the former directors regarding pensions (thousands of euros)</b>	0

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:

<b>Name or company name</b>	<b>Position(s)</b>
Chocarro Melgosa, Ricardo	Onshore CEO
Hannibal, Michael	Offshore CEO
Albenze, Mark	Service CEO
Cortajarena Manchado, José Antonio	General Secretary
Hall, Andrew	Chief Financial Officer
Mesonero Molina, David	Corporate Development, Strategy and Integration Managing Director
Zarza Yabar, Félix	Internal Audit Director

<b>Total remuneration for Senior Management (in thousands of euros)</b>	10,215
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See note (C.1.16) in Section H of this report.

C.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:

<b>Name or company name of the board member</b>	<b>Significant shareholder's name</b>	<b>Post</b>
García García, Rosa María	SIEMENS AKTIENGESELLSCHAFT	Chairwoman and CEO of SIEMENS, S.A.
	SIEMENS AKTIENGESELLSCHAFT	Chairwoman of SIEMENS HOLDINGS, S.L.U.
Davis, Lisa	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board
Thomas, Ralf	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board
Sen, Michael	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board

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.	Internal Audit Director
Von Schumann, Mariel	SIEMENS AKTIENGESELLSCHAFT	Chief of Staff and Head of the Governance & Markets Department
Thomas, Ralf	SIEMENS AKTIENGESELLSCHAFT	CFO

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 **X**

No ☐

Amendment description
<p>The Board of Directors approved the amendment to the Regulations of the Board of Directors during its session held on April 4, 2017.</p> <p>This amendment of the Regulations of the Board of Directors was carried out to adapt it to the new content of article 529 quaterdecies of the Capital Companies Law regarding the composition of the Audit, Compliance and Related Party Transactions Committee, which shall have a majority of independent directors, and to adapt it to the new name of that Committee including the "related party transactions" in it.</p>

See note (C.1.18) in Section H of this report.

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 SIEMENS GAMESA's Bylaws states that the members of the Board of Directors are "*appointed or approved by the Shareholders' General Meeting*" with the provision that "*if there are openings during the period for which Directors were appointed, the Board of Directors can appoint individuals to occupy them until the first Shareholders' General Meeting is held*", always in accordance with the provisions contained in the applicable Capital Companies Law and Company's Bylaws.

Moreover, in accordance with article 13.2 of the Regulations of the Board of Directors, *"the proposals for appointing Directors submitted by the Board of Directors for consideration by the General Shareholders' Meeting and the appointment decisions adopted using the co-option procedure must be preceded by: (a) for Independent Directors, a proposal from the Appointments and Remuneration Committee; and (b) in other cases, a report from the aforementioned 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 and Remuneration 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 states that *"the provisions in this chapter will be understood notwithstanding the complete freedom of the General Shareholders' Meeting to make decisions on the appointment of Directors."*

Finally, article 14 of the cited Regulations states that *"the Board of Directors and the Appointments and Remuneration 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, credibility, solvency, competence and experience"* adding that for *"Legal Entity Director, 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 states that the *"proposals for re-election of Directors submitted by the Board of Directors to the General Shareholders' Meeting must be accompanied by the corresponding explanatory report in the terms set forth by the 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 and Remuneration 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 that are part of the Appointments and Remuneration 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 evaluate at least once a year: (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 and Remuneration 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 be removed from their position once the term for which they were appointed has passed, notwithstanding the possibility of being 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 Capital Companies Law and Royal Decree 1784/1996 of 19 July, which approved the Mercantile Registry Regulation.

Finally, section 2 of article 16 of the Regulations of the Board of Directors contemplates the circumstances in which directors must place their position at the disposal of the Board of Directors and formalize their resignation, should the Board finds it appropriate, subject to a report from the Appointments and Remunerations 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
SIEMENS GAMESA has counted on the support of external advisors for the assessment of the administration bodies in 2017, 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 2017, as well as in the three previous years were carried out with the support of external consultants (in this fiscal year, Lupicinio International Law Firm e Informa Consulting). The assessment process was carried out through work sessions led by the Chairwoman of the Board of Directors and the Chairmen of the Audit, Compliance and related Party Transactions Committee and of the Appointments and Remuneration Committee, assistance from the internal areas responsible for the corporate governance of the Company, the review of minutes and internal Company's documentation, and, finally, through a comparative analysis with the best practices and reference and comparable companies. Likewise the Practical Guide of the Board of Directors elaborated by the *Instituto of Consejeros-Administradores* and the Technical Guide 3/2017 about the Audit Committees of the public interest entities elaborated by the CNMV were also taken as reference.

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. Regarding the individual assessments of each director their role's profile, implementation of capacities and discharge of duties has been evaluated. In this fiscal year no assessment regarding the Chairwoman and the CEO has been carried out due to the short period of time in which they have been developing their functions.

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
<p>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).</p> <p>Article 18.3 of the Regulations of the Board of Directors stipulates that in case the position of Chairperson 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."</p> <p>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.</p>

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
<p>Article 32.4 of the Bylaws 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></p>

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 ☒

<b>Maximum number of term years</b>	
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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 *"the Directors must attend the meetings that are 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 another Non-executive Director."*

For the purposes of delegating votes, each time a meeting of the Board of Directors is convened, the specific proxy award model for that meeting is made available to the directors so that they can confer their representation and, where applicable, voting instructions if deemed necessary by the represented director are included. All aforementioned in compliance with article 32.2 of the By-laws of SIEMENS GAMESA which states that *"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 to another Non-executive Director."*

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.

<b>Number of board meetings</b>	14
<b>Number of board meetings without attendance of the chairman</b>	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.

<b>Number of meetings</b>	0
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Indicate the number of meetings held by the different board committees throughout the year:

<b>Number of meetings of the Audit, Compliance and Committee</b>	14
<b>Number of meetings of the Appointment and Remunerations Committee</b>	6

See note (C.1.29) in Section H of this report.

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:

<b>Number of meetings with the attendance of all directors</b>	10
<b>% of attendances of the total votes throughout the year</b>	94,94%

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 X** **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:

<b>Name</b>	<b>Position</b>
Tacke, Markus	Chief Executive Officer
Hall, Andrew	Chief Financial Officer
Spannring, Thomas	Head of Accounting, Reporting and Controlling

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.

Article 6, the Audit, Compliance and Related Party Transactions Committee Regulations attributes the Audit, Compliance and Related Party Transactions 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, Compliance and Related Party Transactions 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, and raise the recommendations or proposals to the Board of Directors that may deem convenient in this sense.*

*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, Compliance and related Party Transactions Committee, is to highlight those aspects which may be considered, where applicable, exceptions in the audit report of SIEMENS GAMESA and its Group, formulating, where applicable, the appropriate recommendations to prevent them. These reports are submitted to the entire Board of Directors for its consideration, prior to approval of the financial information.

It should also be noted that the External Auditor has appeared before the Audit, Compliance and Related Party Transactions Committee on several occasions throughout the fiscal year which ended September 30, 2017:

- appearance on January 31, 2017 regarding the acquisition by Gamesa of an additional 50% of Adwen.
- appearance on February 21, 2017 regarding drawing up the annual financial statements which refer to the year that ended on December 31, 2016.
- appearance on May 18, 2017 regarding the recommendations to improve the system for internal control over financial information.

- appearance on July 25, 2017 regarding the limited review of interim consolidated financial statements on June 30, 2017.
- appearance on September 11, 2017 regarding the fees for non-audit services rendered.
- appearance on September 11, 2017 regarding the limited review of interim consolidated financial statements on June 30, 2017.

C.1.33 Is the Board secretary a director?

Yes X

No ☐

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, Compliance and Related Party Transactions 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 detailed and individualized 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, 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 provided to the financial analysts and investment banks, the results presentation and other relevant documents which the Company sends, is received by these entities simultaneously after it has been sent to the CNMV.

Specifically, in compliance with the Recommendation from the CNMV dated December 22, 2005, regarding informative meetings with analysts, institutional investors and other professionals, SIEMENS GAMESA announces the meetings with analysts and investors with a prior notice of at least seven workdays, indicating the expected date and time of the meeting, as well as, where appropriate, the technical means (teleconference, webcast) through which any interested party may follow it live.

The supporting documentation for the meeting is made available through the Company's website ([www.gamesacorp.com](http://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](http://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 at protecting the exercise of the Company's rights when it comes to the defense of its corporate interest.

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 X

No ☐

	Company	Group	Total
<b>Amount for other tasks not related to auditing (thousands of euros)</b>	0	11	11
<b>Amount for tasks not related to auditing / Total amount billed by the auditing firm (in %)</b>	0%	0.18%	0.18%

See note (C.1.37) in Section H of this report.

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 X

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
<b>Number of uninterrupted years</b>	4	4

	Company	Group
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<b>No. of years audited by the current auditing firm / No. of years that the company has been audited (in %)</b>	14.81%	14.81%
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C.1.40 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having external advice:

Yes X

No ☐

<b>Detail of the procedure</b>
<p>Article 36 of the Regulations of the Board of Directors establishes that <i>"the Board of Directors may request the aid of legal, accounting and financial experts, as well as the other external experts at the Company's expense, when it is 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, Compliance and Related Party Transactions Committee establishes that <i>"in order to be aided in the performance of their duties, the Committee may request the engagement of legal, accounting and financial consultants, as well as the aid of other experts at the Company's expense."</i></p> <p>Article 23 of the Appointments and Remunerations Committee Regulations also contemplates that <i>"in order to be aided in the performance of their duties, the Committee may request the engagement of legal consultants or other experts."</i></p>

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 X

No ☐

<b>Detail of the procedure</b>
<p>Article 26.3 of the Regulations of the Board of Directors regulates the procedure for convening the meetings of the cited body, indicating that <i>"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."</i></p> <p>Likewise, article 30.2 a) of the Regulations of the Board of Directors establishes that directors are required to <i>"inform themselves and prepare</i></p>

*themselves diligently for 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 demand from the Company the necessary and appropriate information for correct the performance of 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**

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 place their position at the disposal of the Board of Directors and formalize their resignation if the Board finds it appropriate.

This includes situations which may negatively affect the Company's credibility/standing and reputation.

Specifically, the directors must proceed as indicated:

- a) *“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.” (article 16.2.d).*
- b) *“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.” (article 16.2.e).*
- c) *“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.” (article 16.2.f).*
- d) *“Whenever their continuity on the Board of Directors could put the Company's interests at risk, (...)” (article 16.2.g).*
- e) *“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.” (article 16.2.h).*

Article 35.2 d) of the Regulations of the Board of Directors states that the director must inform the Company of "any legal, administrative or any other type of proceedings that are filed against the Director, and which, due to their significance or characteristics, may negatively affect the reputation of the Company. 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 set forth in Article 213 of the Capital Company Act. In this case, the Board of Directors will examine the case as soon as possible, and make the decisions it considers the most appropriate regarding the interests of the Company."

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 conformity with the framework agreement dated December 21, 2011 (significant event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L Sole Shareholder Company, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. will permit IBERDROLA, S.A. to terminate the framework agreement, and neither party may make any claims subsequently.

On December 17, 2015, Gamesa Energía, S.A.U. (buyer) and GESTIÓN, ELABORACIÓN DE MANUALES INDUSTRIALES INGENIERÍA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. y FUNDACIÓN TECNALIA RESEARCH & INNOVATION (seller) signed a purchase-sale

agreement for the shares. On the same date, to oversee the relationship between Gamesa Energía, S.A. Unipersonal and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as future NEM partners (where applicable), the parties signed the Partners' Agreement. By virtue of the terms established in the abovementioned agreement, should control over SIEMENS GAMESA RENEWABLE ENERGY, S.A. (former GAMESA CORPORACIÓN TECNOLÓGICA, S.A.) subsequently take place, Gamesa Energía, S.A.U. must offer the remaining partners direct acquisition of its NEM shares.

On June 17, 2016, effective April 3, 2017, Siemens Gamesa Renewable Energy, S.A. (then "Gamesa Corporación Tecnológica, S.A.") and SIEMENS AKTIENGESELLSCHAFT (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to Siemens Gamesa. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although its minimum duration in any case would be three (3) years (i.e., until April 3, 2020).

On March 31, 2017, Siemens Gamesa Renewable Energy, S.A. (at that time, "Gamesa Corporación Tecnológica, S.A."), and SIEMENS AKTIENGESELLSCHAFT (Siemens) entered into a licensing agreement by virtue of which Siemens Gamesa is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, a change of control might lead to termination of the licensing agreement.

By virtue of certain agreements reached as a result of the merger between Siemens Gamesa Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain guarantees with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Finally, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party's competitor.

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	131
<u>Type of beneficiary</u>	<u>Description of the agreement</u>
CEO, Top Management and Managers	<p><b>CEO (1 agreement):</b> The CEO, as executive director and in accordance with the “Policy of remunerations of the members of the Board of Directors” approved by the Shareholders’ General Meeting on June 20, 2017, has a one year fixed salary severance pay.</p> <p><b>Top Management (5 agreements):</b> The policy currently applied by the Company to the Top Management recognizes the right to receive a severance pay equal to one year of remuneration in case of non-voluntary labor termination, but not applying in case of decease, retirement, disability or serious breach of his functions.</p> <p>However, some members of the Top Management whose relationship with the Company is prior to the implementation of the current policy have a recognized severance pay of different amount regarding the specific post of each beneficiary, which varies between 12 and 18 months of the fixed remuneration and the last annual variable remuneration received. The cited severance pay operates mainly in cases of termination for a cause not attributable to the beneficiary and, in some cases, also if a change of control of the Company occurs.</p> <p>In certain cases the severance pay is established with respect to the legal rights foreseen in the labor regulation if these were more beneficial.</p> <p><b>Employees (125 agreements):</b> On the other hand, the Company has severance payment clauses for a unfair dismissal with some employees and its amounts are calculated in</p>

	relation to the remuneration and professional conditions of each of them. A lot of these agreements have been agreed in jurisdictions where this severance pay is a common labor market practice. These contracts are not approved by the Board of Directors unlike the contract of the CEO and those of the Top Management.
--	--

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

	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body which authorizes the clauses</b>	X	

	<b>YES</b>	<b>NO</b>
<b>Is the Board informed of the clauses at the General Meeting?</b>	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:

### AUDIT, COMPLIANCE AND RELATED PARTY TRANSACTIONS COMMITTEE

Name	Position	Category
Hernández García, Gloria	Chairwoman	Independent External
Conrad, Swantje	Member	Independent External

% of executive directors	0%
% of proprietary directors	0%
% of independent directors	100%
% 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:

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

Articles 5 through 12 in chapter II of the Regulations of the Audit, Compliance and Related Party Transactions Committee establish the duties of this Committee. The full text of the Company's internal rules and regulations are available at [www.gamesacorp.com](http://www.gamesacorp.com)

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

#### Organization:

- It will comprise at least three (3) and at most (5) non-executive directors, with a majority of independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments and Remunerations Committee. On September 30, 2017 there was a vacancy in the Committee and the information on the third member is included in Section H (C.2.1).
- The Board will procure that at least one of the appointed independent directors has knowledge and experience in accounting, auditing or both.

- c) The Committee shall appoint a Chairperson among its independent directors for a maximum term of four (4) years, after which he or she may not be re-elected as Chairperson until one year has elapsed since the conclusion of said term. A Secretary shall also be appointed, though this officer does not need to be a director.
- d) 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 category, if that means the number of independent directors in the Committee is less than two; and c) when agreed on by the Board of Directors.
- e) 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 Chairperson's behest. Meetings shall also be held whenever two of the members so request it.
- 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 or she must leave the meeting until the decision is made, being removed from the number of members of the Committee in order 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, Compliance and Related Party Transactions Committee and article 529 quaterdecies of the Capital Companies Law limit the duties of the Audit and Compliance Committee. During 2017, the Audit, Compliance and Related Party Committee was informed of all the matters within its capacity and, in this context, has satisfactorily fulfilled the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the own Committee's organizational and operating regulations.

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.

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

## APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Conrad, Swantje	Member	Independent External
Davis, Lisa	Member	Proprietary External
Rosenfeld, Klaus	Member	Independent External
Rubio Reinoso, Sonsoles	Member	Proprietary External

% of executive directors	0%
% of proprietary directors	40%
% 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:

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 through 8 in chapter II of the *Regulations of the Appointments and Remunerations Committee* establish the duties of this Committee. In particular, its primary functions are to oversee the composition and functioning, as well as the remuneration, of the Company's Board of Directors and of the Senior Management.

The full text of the Company's internal rules and regulations are available at [www.gamesacorp.com](http://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 or with prior report of by the Appointments and Remunerations Committee.
- b) A Chairperson shall be appointed among the independent directors for a maximum term of four (4) years, after which he or she may not be re-elected as Chairperson until one year has elapsed since conclusion of said term. A Secretary shall also be appointed, though this officer does not need to 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 category, if this means the number of independent directors within 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 Chairperson'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 or she must leave the meeting until the decision is made, being removed from the number of members of the Committee in order to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2017 the Appointment and Remunerations Committee (and previously to the Merger both the Appointments Committee and the Remunerations Committee) was informed of all the matters inside its capacity and, in this context, satisfactorily fulfilled the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the own 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	%
Audit, Compliance and Related Party Transactions Committee	2	100%	2	50.00%	2	50.00%	1	25.00%
Appointments and Remunerations Committee	3	60.00%	N/A		0	0.00%	0	0.00%

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, Compliance and Related Party Transactions Committee

The Audit, Compliance and Related Party Transactions Committee is regulated in the Bylaws, in the Board of Directors Regulations and in the Audit, Compliance and Related Party Transactions Committee Regulations, all of which are available for consultation on the Company's website ([www.gamesacorp.com](http://www.gamesacorp.com)).

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

In its session held on 22 February 2017, the Board of Directors of GAMESA endorsed the amendment of the Regulations of the Audit and Compliance Committee. The cited amendment was essentially of a technical nature and its purpose was to adapt the powers of this Committee to the new content of article 529 quaterdecies of the Capital Companies Law. A series of reforms were also included to make further progresses in the implementation of the Recommendations of the Good Governance Code.

Finally, the Company's Board of Directors approved the version of the revised text of these Regulations on 4 April 2017, which is currently in force.

This last amendment of the Regulations of the Audit, Compliance and Related Party Transactions Committee was carried out to also adapt it to the new content of article 529 quaterdecies of the Capital Companies Law regarding the composition of the Committee, which shall have a majority of independent directors, and to adapt it to the new name of the Committee after the effectiveness of the Merger including the "related party transactions" in it.

In accordance with article 12 g) of the Regulations of the Audit, Compliance and Related Party Transactions Committee, this Committee has the duty to draw up an annual report on its activities, which shall be submitted to the Board of Directors for approval and which shall subsequently be made available to the shareholders when the Ordinary General Shareholders Meeting is convened.

#### Appointments and Remunerations Committee

The Appointments and Remunerations Committee is regulated in the Bylaws, in the Regulations of the Board of Directors and in the Regulations of the Appointments and Remuneration Committee, all of which have been posted and are available on the Company's website ([www.gamesacorp.com](http://www.gamesacorp.com)).

The current Appointments and Remunerations Committee Regulations were approved by the Company's Board of Directors on April 4, 2017 after having approved to merge the former Appointments Committee with the former Remuneration Committee into one Committee and consolidate its respective Regulations.

This new text of the Regulations includes the new name of the Audit, Compliance and Related Party Transactions Committee.

Article 19 of the Regulations of the Appointments and Remunerations Committee establishes the obligation of said committee to draw up a yearly report on its activities to be made available to the Company shareholders and investors following approval thereof by the Board of Directors when the Ordinary General Shareholders Meeting is convened.

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.

<b>Procedure for approving related party transactions</b>
<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, after receiving a report from the Audit, Compliance and Related Party Transactions Committee, 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>The transactions must be performed in market conditions and with respect for the principle of equal treatment of shareholders.”</i></p> <p>In this regard, article 12 a) of the Regulations of the Audit, Compliance and Related Party Transactions Committee refers to the report that this 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:

<b>Significant shareholder's name or company name</b>	<b>Name or company name of the company or entity of its group</b>	<b>Type of relationship</b>	<b>Type of transaction</b>	<b>Amount (thousands of euros)</b>
Iberdrola, S.A.	Siemens Gamesa Renewable Energy Eolica, S.L.	Contractual	Sale of goods terminated or not	392,183
Siemens AG	Siemens Gamesa Renewable Energy A/S	Contractual	Purchase of goods terminated or not	211,802
Siemens AG	Siemens Gamesa Renewable Energy A/S	Contractual	Receipt of services	236,207
Siemens AG	Siemens Wind Power AB	Contractual	Receipt of services	1,424
Siemens AG	Siemens Gamesa Renewable Energy Limited	Contractual	Receipt of services	49,527

Siemens AG	Siemens Wind Power GmbH & Co. KG	Contractual	Receipt of services	41,260
Siemens AG	Siemens Wind Power GmbH & Co. KG, Hamburg	Contractual	Receipt of services	1,232
Siemens AG	Siemens Wind Power Inc.	Contractual	Receipt of services	121,603
Siemens AG	Siemens Wind Power Limited, Oakville	Contractual	Receipt of services	1,914
Siemens AG	Siemens Gamesa Renewable Energy d.o.o.	Contractual	Receipt of services	1,543
Siemens AG	Siemens Gamesa Renewable Pty Ltd	Contractual	Receipt of services	1,681
Siemens AG	Siemens Wind Power Blades (Shanghai) Co., Ltd.	Contractual	Receipt of services	1,835
Siemens AG	Siemens Wind Power B.V.	Contractual	Receipt of services	3,136
Siemens AG	Siemens Wind Power Blades, SARL AU	Contractual	Receipt of services	1,507

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.

1,816,997 thousand euro.
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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 within 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 who incur in a situation of conflict of interest or who notices the possibility thereof shall notify it to the Board of Directors through its Chairperson and refrain from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters affecting the said conflict. The votes of Directors affected by the conflict and who, therefore, had to abstain, will not be taken into account in order to calculate the required majority of votes to adopt the relevant 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”*.

Paragraph 6 specifies that such waive shall follow the corresponding report from: (a) the Audit, Compliance and Related Party Transactions Committee on the operation subject to a potential conflict of interest, proposing the adoption of a resolution in this regard; or (b) the Appointments and Remunerations 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 to approve or not the transaction, or the alternative that may have been proposed, as well as the specific measures to be adopted.”*

Finally, paragraphs 8 and 9 state 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 transactions incurring 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:*

The senior management and professionals of the Company or its group who, given their activities or information to which they may have access, are classified as Affected Persons (as defined in article 6 of SIEMENS 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, which most recently revised version was approved on 19 September 2016.

In this regard, article 20 of these Internal Regulations for Conduct in the Securities Markets establishes that managers and professionals considered to be Affected Persons must immediately inform either 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 set forth 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, after receiving a report from the Audit, Compliance and Related Party Transactions Committee, 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 general and prior authorization of the line of transactions by the Board of Directors will suffice."*

In any case, *"the transactions must be performed in market conditions and with respect for 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 of the Directors of the Company and of the shareholders that own a significant stake which are referred to in this Chapter will be understood as applicable, analogically, regarding their possible relations with companies of 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 ☐

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

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

<b>Mechanisms for resolving possible conflicts of interest</b>

## **E RISK MANAGEMENT AND CONTROL SYSTEMS**

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

Siemens Gamesa Renewable Energy (hereinafter, "the Company" or "Siemens 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 at the top level of management on the basis of, firstly, the guidelines established in the Regulations of the Board of Directors (Arts. 6 and 7), and in the Regulations of the Audit, Compliance and Related Party Transactions Committee (Arts. 9 and 11); and secondly, in international methods of recognized repute (COSO 2004 and ISO/CD 31000).

The **Risk Control and Management Systems in ERM** are promoted by the Board of Directors and Senior Management and implemented throughout the entire organization.

The basis for these systems is contained in the **Risk and Internal Control Policy**. This policy lays the foundation and general context for key ERM elements, which are summarized below.

The risk management process classifies the risks into four dimensions:

- **Strategic:** Risks that are directly influenced by strategic decisions, arise from long-term strategies or relate to high-level goals
- **Operations:** Risks arising from the day-to-day business and relating to effectiveness and efficiency of the entity's operations, including performance and profitability goals
- **Financial:** Risks arising from finance operations, non-compliance with tax authorities or accounting and reporting requirements
- **Compliance:** Risks arising from non-compliance with the code of conduct, legal, contractual or regulatory requirements

The ERM process is a continuous cycle with the objective of proactively managing business risks and it is based on 6 phases:

- **Identify:** Aims at detecting relevant risks and opportunities (R/O) that could have a negative or positive impact on the achievement of strategic, operations, financial and compliance objectives of the company. The identification of R/O lies in everyone's responsibility and is inherent in day-to-day business. It is based on the "Top-down" and "Bottom-up" perspectives throughout the entire organization, representing corporate and regional **R/O maps** backed by specific risk management systems and the appropriate consistency between "micro- and macro-risks"
- **Assess:** Evaluates and prioritizes the identified R/O and focuses management's attention and resources on the most important matters. All identified R/O are assessed by means of impact and likelihood considering a time horizon of three years and different perspectives, including business objectives, reputation, regulatory and economic matters. ERM is based on a net approach, addressing risks and opportunities remaining after the execution of existing control measures
- **Respond:** Focuses on the definition, agreement and implementation of response plans to manage the identified risks choosing one of our general response strategies to address risks (avoidance, transfer, reduction or acceptance). Our general response strategy for opportunities is to seize the relevant opportunities.

- **Monitor:** Deals with appropriate controls and continuous monitoring to enable the timely notification of fundamental changes in the R/O situation, the progress of the indicators (KRIs) and response plans
  - **Report and escalate:** Focuses on the standardized and structured reporting of identified R/O. This process provides relevant risk information to the management
- Sustain and continuously improve:** Risk management in Siemens Gamesa's ERM develops on the basis of the application of the principle of continuous improvement, audits, self-assessments, benchmarking, etc. and it means reviewing the efficiency and effectiveness of the ERM process and its compliance with legal and regulatory requirements to ensure sustainability

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 body, the **Board of Directors** examines and authorizes all relevant operations. It is also responsible for establishing the general policies and strategies, including the Risk and Internal Control Policy and tax strategy of the Company, 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 the following 4 tiers of protection and defense:**

**1º Property and risk control**

**Executive Committee (ExCo)** as Top risk owner is responsible, among other aspects, for:

- Ensuring and promoting compliance with relevant legal requirements and internal policies
- Applying the Risk and Internal Control Policy and R/O management strategy as basis for R/O management process
- Ensuring an integrated risk and internal control and management in the business and decision-making processes
- Defining and proposing for approval the specific numerical values for the risk limits stated in the specific policies and/or in the annually set objectives
- Informing the Audit, Compliance and Related Party Transactions Committee of the Board of Directors concerning all company-related issues regarding strategy, planning, business development, risk management and compliance

**Executive Committees of each region:** As owners of the regional R/O, they have duties at this level that are similar to those of the Group's ExCo

**Finance Division:** In accordance with the Investment and Financing Policy, it centralizes financial risk management throughout the Siemens Gamesa Group

**Tax Department:** Reporting to the 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

## **2º Tracking and Compliance**

- **Risk and Internal Control Department (RIC):** Integrated in the Finance Division but reporting functionally, directly to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, the RIC Organization integrates the ERM and Internal Control functions, participates in defining the risk strategy, the 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, financial, legal, social, environmental, political and reputational risks.
- **Ethics and Compliance Division:** Reporting directly to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, 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.

## **3º Independent assurance**

Reporting to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, the **Internal Audit Division** is responsible, among others, for informing, advising and reporting on the following matters:

- The Company's application of generally accepted accounting principles, as well as any significant accounting change in relation thereto
- Risks associated with the balance sheet and functional areas of activity with identification, measurement and control existing thereon
- Transactions between the Company and third parties, whenever they imply a conflict of interest or are transactions involving shareholders that own a significant stake
- Information of a financial nature that is submitted regularly or periodically to investors and market agents as well as Securities Market Regulators
- Adaptation and integration of internal control systems

## **4º Supervision**

**The Audit, Compliance and Related Party Transactions Committee** of the Board of Directors has formal responsibility to:

- Periodically review 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 collaborate with the auditors in analyzing the significant weaknesses in the internal control system detected when carrying out the audit, without affecting its independence. As a result of this review, the Committee may submit recommendations or proposals to the Board of Directors
- 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 affecting the Company and the Group, including financial or economic risks, contingent liabilities and other off-balance sheet risks; the levels of risk that the Company and the Group deem acceptable; the planned measures to mitigate the impact of identified risks
- Ensure that the RIC Department participates in defining the risk strategy, in the correct functioning and effectiveness of the control systems and in mitigating the risks detected

The **Board of Directors** approves the specific policies from which the risk levels that the Corporation considers acceptable are derived and are aimed at maximizing and protecting the economic value of Siemens Gamesa within a controlled variability.



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, Siemens 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 term "risk" is defined as the potential for loss caused by an event (or series of events) that can adversely affect the achievement of the company's business objectives, hence the Risk Control and Management Systems are clearly linked to the strategic planning process and setting of company objectives.

Below there is a brief summary of the main risks that could affect the achievement of the business objectives which have been monitored in 2017.

#### **Strategic**

- **Pressure on contribution margin and MW volumes**, due to factors such as changes in governmental political decisions, cost of wind energy situation versus solar and other energy sources, evolution of the business model towards auctions in an increasing number of countries, a temporary halt in the Indian market and the effects of decisions after changes of government such as in the US
- As a result of geographical diversification and a large customer and supplier base, Siemens Gamesa is exposed to **"Country Risk"**, understood as an environment where social-political and security conditions could affect the local interests of Siemens Gamesa, such as the effect on the Brazilian wind market affected by the macro situation of that country, processes such as Brexit in UK or terrorist attacks in several countries

#### **Operations**

- **Risks of cyber-attacks:** Like other large multinational companies, Siemens Gamesa is exposed to the growing threat of ever more professionalized cybercrime
- **Supply chain risk:** The geographic diversity of suppliers and potential failures in the delivery of critical components and services could affect the business continuity
- **Risk that the cost reduction processes of some products do not occur at the appropriate pace** to compensate the price pressure

#### **Financial**

- **Risks that may affect balance sheet soundness**, working capital control and structure and/or results (including the continuous improvement of costs), such as strategic and/or operational matters that could lead to impairment of assets
- **Market Price risk:** Siemens Gamesa is exposed to risks relating to fluctuations in the prices of the commodities used in the supply chain
- **Foreign exchange rate:** Siemens Gamesa conducts transactions with international counterparties in the ordinary course of its business, leading to revenues and income generation in currencies different from EUR, and to future cash flows generation in Siemens Gamesa entities in a currency other than their functional currencies, and is therefore exposed to risks from changes in foreign currency exchange rates

- **Interest rate risk:** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises whenever interest terms of financial assets and liabilities are different. Siemens Gamesa uses external sources to finance parts of their operations. Loans at variable rates expose the Group to interest rate risks, while loans at fixed rates expose the Group to fair value interest rate risk. The variable rates are mainly linked to the LIBOR or the EURIBOR
- **Credit risk:** is the risk that a counterparty or customer does not meet his or her contractual payment obligations and that leads to a loss for Siemens Gamesa
- **Fiscal risks** derived from local and/or global requirements and direct or indirect impositions

#### **Compliance**

- **Risk of occurrence of severe and/or fatal accidents** with additional effects of delays, damage to assets and reputational loss, caused by, among others, the high risk profile of some projects, potential failures in the selection, monitoring and qualification processes of contractors, as well as work in emerging market environments where the culture towards environmental and health and safety Standards is less mature.
- **Risk of regulatory uncertainty and compliance** of the applicable and potentially applicable legal requirements, as well as control of risk of commission of crimes, including, among others, fraud, bribery and corruption.

The Management Report in the annual report corresponding to 2017 contains an additional description of some of the risks associated with Siemens Gamesa activities.

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

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.

Siemens Gamesa uses 3 levels of risk tolerance, "risk acceptance", "risk monitoring" and "risk escalation". The tolerance is updated regularly and at least whenever there are changes in the strategy and/or policies.

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

- 1) Through specific and regularly revised policies and internal rules and regulations, including, among other:
  - Risk and Internal Control Policy
  - Corporate Tax Policy
  - Investment and Financing Policy (exchange rate, credit and interest risks)
  - Excellence Policy (Health & Safety, environmental respect, quality and energy efficiency)
  - Codes of Conduct
  - Crime Prevention and Fraud Policy

- 2) The establishment of objectives, annually or in conformity with strategic regularity, for indicators used in monitoring some risks. Some of these indicators are:
- EBIT, net amount of the business figure, net financial debt, CAPEX, working capital
  - MW sold and new orders
  - Non-quality costs and other costs
  - Frequency index, severity index

In this context, during 2017, an update of the specific numerical values of the limits of the most significant risks has been done.

- 3) The use of different perspectives 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 major or high when they are considered to exceed the tolerance and thus require mitigation plans.

For a certain risk identified and assessed as major or high, and for which there is also a policy and/or risk limit that has been or is expected to be exceeded/breached, as many mitigation actions as necessary should be established until the risk returns to its tolerance level.

Each Group company is responsible for approving, in their corresponding governing bodies, the specific risk limits applicable to each one and implements the necessary control mechanisms to ensure compliance with the Risk and Internal Control Policy and the specific limits that affect them.

Once the risks, including tax-related risks, threatening achievement of the objectives have been identified, the risk owners or their delegated parties, backed by the RIC 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).

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

The risk factors which have materialized in the countries and markets in which Siemens Gamesa does business during 2017 have had a significant impact on the group's financial results and has not made it possible for the favourable performance of some businesses, markets and activities to offset the negative effects of others. The key risks that have materialized include:

- The transition to fully competitive renewable energy models - in particular, the temporary halt in the Indian Market, the Group's second-largest Onshore market, after the introduction of wind auctions in February 2017, and the reduction in onshore installations in the UK after wind was excluded from the contract for differences mechanism in 2016. The transition enhances wind power's long term potential but the return being demanded of wind power projects is declining as the renewable energy industry matures, creating higher demand volatility in key markets.
- The transition effects seen in 2017 impacted not only sales volumes but saw downward pressure on prices as a result of which the Group booked an inventory impairment of Eur 134m to adapt to new market conditions.

It should be noted that activities in 2018 will be subject to a continuation of these same risk factors in the development of the wind market. In addition the Group expects to face uncertainties from:

- The process of negotiation of the United Kingdom's withdrawal from the European Union and the policies adopted by the US government both towards the renewable energy sector, and on fiscal reform, which may impact on exchange rate volatility and increases in interest rates

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

As particular response and supervision actions that apply to significant risks, including tax-related risks, (whether materialized or not), the following stand out:

#### **Strategic**

- Development of new business opportunities, entry into new countries and cost reduction programs in all units to mitigate pressure risk in margin and volumes
- The potential effects of downward "country risk" business are mitigated by the balanced diversification of the sales in other countries/regions and a Security Model that ensures the continuity and security of the business, people and assets in the countries in which the Company operates, managing early warnings and through contingency and emergency Plans
- Development of a new Business Plan

#### **Operational**

- Information Security Model leaded and continuously improved by a holistic and cross functional security committee capable of preventing and mitigating the external threats of cyber-attacks
- In order to minimize risks within the Supply Chain, there are carried out various control activities in the different phases of the relationship with suppliers, including development of multiple sourcing and the Ethics and Compliance controls
- Continuous reduction of costs is carried out through specific programs with objectives deployed in all regions, under the control from the corporation looking for the improvement in the profitability in terms of Cost of Energy and contribution margin

#### **Financial**

- Balance-sheet risks are prevented/mitigated by a continuous monitoring of the cash flow and relevant matters that could cause deterioration of assets
- The market risk related to the price of commodities is mitigated in some cases by using derivatives instrument
- In order to reduce the exposure to exchange rate, several actions are carried out, including but not limited to: the increase in local content, coverage by means of derivative financial instruments, monitoring of open exposure to fluctuation fulfilling the coverage of the Group and sensitivity analysis for different currencies
- Siemens Gamesa continuously analyses the split of external financing at variable and fixed rates to optimize the interest rate exposure. The Group uses derivative financial instruments to mitigate the interest rate risk

- Siemens Gamesa deals with customers that have an appropriate credit history and rating, companies within the energy sector with an above average credit rating, and in cases of customers with no or an below average rating or credit history a variety of mitigation measures are used, such as irrevocable letters of credit or export insurances to cover the increased credit risk
- Fiscal risks are controlled through various mechanisms established in the Fiscal Risks Control and Analysis Framework, among which are: periodic information to the management and supervision bodies of the Company on compliance with good tax practices; Application of the Corporate Tax Policy and a specific control of the compliance with the legal requirements in fiscal matters by region

#### **Compliance**

- The mitigation of severe accidents and fatalities risk are developed with several actions, among which we highlight: reinforcement of zero tolerance policy; Specific shock plans for each severe accident and global prevention plans for those regions with worse outcomes; Preventive measures for H&S before operating in a new geographical location
- Siemens Gamesa has Systems of monitoring of regulatory changes and Manuals for the prevention of crimes as requirements of the main regions in which it operates, in which corresponding specific controls are included in detection and prevention

In the Management Report and in the Financial Statements corresponding to 2017 additional information regarding response and supervision plans is addressed.

In addition to the specific response measures, continuous global supervision and monitoring processes operate to ensure an adequate response to the principle risks of the company. These include, among others:

- Control exercised by unit and regional area managers and by the Executive Committee with respect to the evolution of the R/O maps and mitigation plans
- Reports to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors regarding developments in the R/O maps by the responsible of RIC and individually for significant risks and opportunities by the R/O owners
- Operational risk insurance by third parties with annual updates and revision of coverage
- External certificates for the management system according to OHSAS18001, ISO 14001 and ISO9001
- Internal certificates from the Management related to the ERM process considering ERM process as part of the RIC System is implemented and ensures that material risks and opportunities are properly managed
- Declaration of conformity over ERM System according to ISO/CD 31000.
- Assessments, including independent assessment, by management, internal audit and external audit of the effectiveness of the internal controls over financial reporting
- Regular training sessions for managers and executives on the Risk and Internal Control Policy, integrated R/O management methods and implementation of the ERM Methodology
- Internal audits of significant risks made by the Internal Audit Division

## **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, therefore, the ultimate responsibility corresponds to the Siemens Gamesa Board of Directors for guaranteeing the existence and maintenance of an adequate ICFRS, supervision which is in accordance with the competencies established in the Regulations of the Board of Directors and in the Regulations of the Audit, Compliance and Related Party Transactions Committee of the Board of Directors has delegated to it and it constitutes, furthermore, responsibility of the Management of the Siemens Gamesa Group, through its Financial Department, its design, implantation and maintenance.

In turn and in support of the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, it has the function of the Internal Audit that with direct access to the mentioned Committee and in the fulfilling of its annual work plan promotes the control relating to the reliability of financial information.

The Regulation of the Audit, Compliance and Related Party Transactions Committee of the Board of Directors establishes, as its scope of competence, the supervision of the effectiveness of the internal control system of the Company and risk management systems including those regarding taxes, as well as the analysis along with the external account auditors of significant internal control weaknesses identified and, where appropriate, in the performance of the auditing and monitoring of the drawing up and submission process of regulated financial information.

In relation to the competencies relating to the process of drawing up the economic-financial information, the Audit, Compliance and Related Party Transactions Committee of the Board of Directors performs, among others, the following functions:

- Supervises the process of drawing up, presentation and integrity of the economic-financial information relating to the Company and its consolidated Group, as well as the correct marking of the latter, and raising the recommendations or proposals to the Board of Directors deemed appropriate in this regard.

- 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.
- Oversees compliance with legal requirements and the correct application of generally accepted accounting principles, and informs the Board of any significant changes in accounting criteria.

In relation to the internal control and risk management systems:

- Periodically reviews the effectiveness of internal control and risk management systems, including those related to taxes, in order to adequately identify, analyze and report on the key risks, as well as to analyze along with the account auditors the significant weaknesses in the internal control system detected when carrying out the audit, all of this without affecting its independence. As a result of this review the Committee may raise recommendations or proposals to the Board of Directors.
- Reviews the risk policies and proposes their modification 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 risk levels that the Company and the Siemens 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.
- Ensure 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.

Siemens Gamesa has an Internal Control and Risk Department (RIC), with direct responsibility of the Finance Department and that depends functionally on the Audit, Compliance and Related Party Transactions Committee of the Board of Directors. The responsibilities of the Internal Control and Risk Department are to set and monitor the effectiveness of an integrated risk and internal control system, including 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. The Communications Division communicates the relevant changes in the organization through the means of internal communication, primarily the corporate intranet and email.

Additionally, the Human Resources Division maintains and publishes the organizational chart of the company on the corporate intranet.

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.

- 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.

Siemens Gamesa has a Code of Conduct, the current version of which is approved by its Board of Directors on April 5, 2016. The Code of Conduct represents the development and formal expression of 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, with the purpose of consolidating a universally accepted business ethic.

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.siemensgamesa.com](http://www.siemensgamesa.com)) and on the intranet, in the area reserved for the Ethics and Compliance Division; being open to the possibility of any other medium for its 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 Policy and contact with shareholders, institutional investors and vote advisers, which pertains the Corporate Governance standards.

In particular, in general conduct standard 3.24 of the aforementioned Code it expressly indicates that "the economic-financial information of Siemens Gamesa and its Group - in particular, the Annual Accounts-, 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 Siemens Gamesa and 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, with functional dependence on the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, is responsible for, among other aspects and regarding the Code of Conduct, proposing its revision and regular updating, for resolving the concerns that may arise and receiving any questions or complaints regarding unethical actions, actions lacking in integrity or against the included principles.

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 and 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 indicates and details the corresponding principles of action.

- 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, Compliance and Related Party Transactions Committee of the Board of Directors regarding the functions of this Committee insofar as Corporate Governance, Siemens 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, Compliance and Related Party Transactions Committee of the Board of Directors is responsible for establishing and supervising the Whistleblower Channel through the Ethics and Compliance Division, which Siemens 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, Compliance and Related Party Transactions 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 they will make it known to the Litigation Division for the purposes of assessing where necessary to inform the competent legal or administrative authorities.

- 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.

Siemens Gamesa has 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 Siemens Gamesa.

In this context, it has processes and tools to determine the level of performance and development needs of the persons who Siemens Gamesa incorporates.

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, furthermore, their trainings needs to have the purpose of analyzing in the internal development processes. In this context, they have the qualifications and competence necessary for executing their duties, both in the applicable accounting standards and in the principles concerning internal control. Personnel is kept continuously informed of the legislative requirements in force.

Specifically and in relation to the Code Of Conduct, the standard on the prevention of conflicts of interest, crime prevention and fraud policy, and the whistleblower channel references the Ethics and Compliance Division has developed various training sessions in fiscal year 2017.

## **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 with 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 corporate tax policy of the Group indicates that Siemens 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.
- Not construct or acquire resident companies in tax havens with the aim of evading tax obligations.

Likewise, the Siemens Gamesa group maintains a record, continuously updated, of all legal entities that contains all of the shares, whatever their nature, whether direct or indirect, including, where applicable, both instrumental companies as well as special purpose companies.

For the purpose of identifying the scope of consolidation, in accordance with the criteria contemplated in international accounting legislation, the company maintains and regularly updates a database of all companies which constitute the Siemens Gamesa Group.

The Group has an established process within the Finance department which ensures the necessary flow of authorizations regarding the modifications of the consolidation perimeter and updates to the database of companies.

In this context, in the internal control system establishment of the financial information and forming part of the consolidation priority process, the sub process of identifying the consolidation perimeter is developed.

- 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.

Siemens Gamesa has incorporated a risk management process based on the COSO method and standard ISO/CD 31000 in an internal benchmark framework that we call ERM (Enterprise Risk Management) and that, in accordance with the Internal Control and Risk Policy are considered four risk categories that group other sub-categories within each one:

- Strategic: Risks that are directly influenced by strategic decisions that arise from long-term strategies or are related with high-level objectives.

- Operational: Risks arising from the daily activity and regarding the efficiency and effectiveness of the operations of the company, including the performance and profitability objectives.
- Financial: Risks arising from financial operations, from non-compliance with tax requirements, accounting and/or reporting.
- Compliance: Risks arising from failure to comply with the Code of Conduct, legal, contractual or regulatory requirements.

The applied methodology is embodied as a regularly updated risk map (normally quarterly).

- What governing body of the entity oversees the process.

The supervision of the process is ultimately done by the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, that supports in the Internal Audit Division to execute its responsibility.

### 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 supervising and approving the financial statements of the Siemens Gamesa Group.

The Group sends quarterly information to the stock market. This information is prepared by the Finance Division, who does a series of control activities during the accounting closing to ensure reliability of the financial information. These controls are contained in the "Consolidation and Financial Closing" process in the ICFRS model of 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:

- Finance Division review.
- Audit, Compliance and Related Party Transactions Committee of the Board of Directors review.
- 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.

Quarterly, an internal certification process is carried out in the entire Siemens Gamesa group. The Management of the different levels of the organization, backed by the confirmations of the management of each of the regions and entities under their responsibility, confirms the accuracy of the financial information communicated to the corporate division of Siemens Gamesa and reports, likewise, the effectiveness of the corresponding Internal Control System.

Additionally, an assessment of the design and the effectiveness of the implemented control system operation is performed at the end of each fiscal year. The Management of the different levels of the organization, backed by the confirmations of the management of each of the regions and entities under their responsibility, confirms compliance with the responsibility of establishing and maintaining an effective internal control system. Conduct reports on the effectiveness of the internal control systems including the deficiencies that could impede the achievement or development of key objectives in business or those that have a material effect on the financial statements.

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.
- Material assets.
- Coverage management.
- Purchasing.
- Consolidation and Financial Closing.

During 2017 and within the context of continually improving the model, Siemens Gamesa has continued working on optimizing and adapting the model to the best practices in the sector.

The established system entails a continuous process, to the extent that the managers and the owners of the internal control processes draw up, review and update the activities and control procedures with support from the RIC Department.

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.

The Management of Siemens Gamesa recognizes information as strategic assets for the business and the assets that they support for which it expresses its resolve to attain the safety levels necessary to guarantee their protection, in terms of availability, confidentiality, integrity, authentication and traceability. As part of this commitment, Siemens Gamesa has a security policy manual for the information that applies in all areas that comprise the company and whose objective is to preserve the confidentiality, integrity and availability of the information.

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

For the member companies of the Group, these sub-processes, as well as their main control activities are as follows:

- 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 request and approval processes are defined and implemented at the appropriate level of new computer applications, of definition of versioning policies and maintenance of existing applications and their associated action plans, of definition of the various plans for implementation and application migration, of validation and monitoring of changes in the creation of applications, and of risk management through separate environments for the operation, testing and simulation. Controls relating to guaranteeing that applications have been verified and updated by the respective competent authorities before its live launch.



- Controls relating to the segregation of duties: Approved matrix of segregation of duties, in accordance that different roles are assigned to users based on the 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.

Siemens Gamesa subcontracts the execution of certain routine transaction processing activities with an impact on financial information (accounts payable, payroll, invoice register, etc.) to internal shared service centers or suppliers of external services. In cases in which this subcontracting occurs, in all cases it is supported by a service contract in conditions of full competition clearly indicated by the service rendered and the means that the supplier to be used to furnish the services; guaranteeing reasonably technical training, independence and competence of the subcontracted party.

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 Siemens Gamesa ICFRS model identifies the 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 contracted 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 Finance Division, among other functions, is in charge of identifying, defining, updating and communicating the accounting policies that affect Siemens 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 Finance Department is responsible for reporting to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors 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, it is the responsibility of the Finance Department to revise, examine and update the accounting standards, and supervise the adoption of new or revised standards from the International Financial Reporting Standards (IFRS) and those standards, amendments and interpretations that have yet to enter into force. Likewise, this Division is responsible for communicating the modifications 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 they use the financial statements reported by the Group's subsidiaries as inputs in the established formats, as well as the rest of the financial information required for both harmonizing the accounting process and for covering the established information needs.

The Siemens Gamesa Group uses a software tool that collects individual financial statements and facilitates the process of consolidation and drawing up 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 the Consolidation and Reporting 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 required work, key reporting dates of standard documentation to send, and deadlines for reception and communication. The instructions include, among other aspects, a reporting/consolidation package, 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, Compliance and Related Party Transactions Committee of the Board of Directors, Senior Management, Internal Control and Risk Director, Internal Audit Director and External Auditors of accounts so that they have the information necessary to perform their functions relating to the responsibility of supervising the ICFRS.

Specifically, regarding ICFRS monitoring activities undertaken by the Audit, Compliance and Related Party Transactions Committee of the Board of Directors 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.
- Has reviewed with the external auditors and with Internal Auditing the detected weaknesses of internal control, where appropriate, in the implementation of the different auditing and review tasks.

Siemens Gamesa has an Internal Audit Department, that has among its competencies, 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, Compliance and Related Party Transactions Committee of the Board of Directors.

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.

The Internal Audit function has conducted audits on certain significant risks according to its annual audit plan for 2017, and submitted the corresponding reports to the Management Committee and the Audit, Compliance and Related Party Transactions Committee of the Board of Directors.

Regarding the ICFRS, the Internal Audit function performs analytical review procedures in each of the monthly closings of the consolidated financial statements entailing, among other aspects, variations analysis, unusual transactions, global calculations, etc. In addition, they have carried out various independent assessments of the key controls of the ICFRS in the entire Siemens Gamesa group, in support of the operational effectiveness assessment of the design within the general ICFRS framework established by the RIC Department.

In addition, there are meetings held among the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, the 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, Compliance and Related Party Transactions Committee of the Board of Directors holds regular meetings with the external auditors, internal auditing, RIC and the division responsible for drawing up financial information to comment on relevant aspects and, as the case may be, discussing significant weaknesses identified in internal control.

In the meetings of the Committee with the account auditors they review the annual accounts of the Group as well as the periodical financial information that the Board of Directors must provide to the markets and their supervisory bodies, monitoring compliance with legal requirements and the correct application in their drawing up of the generally accepted accounting principles.

## F.6 Other relevant information

There is no other relevant information respect 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.

Siemens Gamesa has requested an external auditor to issue a report on the review of the information regarding the ICFRS included in section F of the Annual Corporate Governance Report corresponding to fiscal year 2017.

## **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 ☒ 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 ☒ Explain ☐ Non applicable ☐

Explanation:

The Company's Internal Regulations complies with sections a), b) and d) of the Recommendation.

Regarding section c), article 31.7 of the Regulations of the General Shareholders Meeting of SIEMENS GAMESA, which states the system for determining the meaning of the votes 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 resolutions 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 ☒

**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 ☒ Partially Comply ☐ Explain ☐



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

Comply ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒

**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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☒ 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 ☐ Partially Comply ☒ Explain ☐

**Explanation:**

The Chairwoman of Siemens Gamesa has duly developed, during the 2017 fiscal year, the functions described in the present recommendation 33 of the Good Governance Code, but regarding the organization and coordination of the assessment of the CEO of the Company it shall be pointed out that the Company has agreed not to carry out that assessment for the CEO for fiscal year 2017 due to the short period of time in which he has developed his functions.

- 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 ☐

**Explanation:**

The Board of Directors of Siemens Gamesa has received external advisors' support for the assessment of the Board of Directors and their Committees, as well as for the individual assessment of each director, as indicated in section C.1.20 and C.1.20 bis of the present annual corporate governance report, in fulfillment of the present recommendation 36 of the Good Governance Code. Being the exception letter d) of the present recommendation 36 as the Company has agreed not to carry out the assessment of the Chairwoman and CEO for the fiscal year 2017 due to the short period of time in which they have performed their functions.

- 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 ☐ 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 ☐ 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 ☒ 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 ☒ 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 ☒ 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:**

Siemens Gamesa's general risk control and management Policy, approved by the Board of Directors on 23 September 2015, states that the Executive Committee will define the specific numeric values of the risk limits contemplated in the specific policies. While the Executive Committee 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 ☒ Partially Comply ☐ Explain ☐

- 48. High cap companies have an appointments committee and a remuneration committee.**

Comply ☐ Explain ☒ Non applicable ☐

**Explanation:**

The Board of Directors of Siemens Gamesa approved on April 4, 2017 to merge the Appointments Committee and the Remunerations Committee into one only Committee in fulfillment of the Shareholders' agreement between Iberdrola, S.A., Iberdrola Participaciones, S.A.U. and Siemens AG detailed in section A. 6 of this report. With one Appointments and Remunerations Committee the two majority shareholders are represented in the two existing consultative Committees and hiring new senior managers is facilitated as the decision of just one Committee is necessary. After the merger between Gamesa and a subsidiary of Siemens AG the necessity of hiring new senior managers was foreseen to raise and to count with only one committee shall avoid possible inefficiencies and excessive bureaucracy.

- 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 ☒ 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 ☒ 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 X      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 ☒ 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 ☒ 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 ☒ 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 ☒

**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 X      Partially Comply ☐      Explain ☐      Non applicable ☐

**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 ☐



## 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 the most significant changes to the shareholder structure throughout the fiscal year in section A.2, it is relevant to indicate that on 3 April 2017 IBERDROLA and Fidelity International Limited communicated to the CNMV the change of its percentage of voting rights in SIEMENS GAMESA as a consequence of the change of voting rights in the Company due to a capital increase. This information is not contained in the aforementioned table included in section A.2, as the inclusion of change of voting rights in the Company as operation description is not possible.

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 the Company dropped under 2% to 1.815% and on 17 March 2017 that percentage dropped under 1% threshold to 0.909%. This information is not contained in the aforementioned table as the inclusion of changes based on voting rights linked to the execution of financial instruments is not possible.

### (A.3)

In addition to the information provided in section A.3, the following previous members of the Board of Directors held the following number of shares at their resignation:

- Mr. Ignacio Martín San Vicente, had 124,373 shares of the Company.
- Mr. Juan Luis Arregui Ciarsolo, had 138,196 shares of the Company.
- Mr. Luis Lada Díaz, had 519 shares of the Company.
- Mr. José María Aracama Yoldi, had 207 shares of the Company.
- Mr. José María Aldecoa Sagastasoloa, had 500 shares of the Company.
- Mr. José María Vázquez Egusquiza, had no shares of the Company.
- Mr. Gerardo Codes Calatrava, had 20 shares of the Company.
- Mr. Francisco Javier Villalba Sánchez, had no shares of the Company.
- Mr. Klaus Helmrich, had no shares of the Company.
- Mr. Luis Javier Cortés Domínguez, had no shares of the Company.

It shall also be pointed out that the Board of Directors, in its meeting of October 20, 2017 approved the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company, appointment to be ratified in the next Shareholders' General Meeting, to fulfill the vacancy after Mr. Cortés's resignation on August 30, 2017. Mr. Alonso has no shares of the Company.

**(A.8)**

In addition to the information provided in section A.8, it shall be pointed out that Siemens Gamesa signed a liquidity contract with Santander Investment Bolsa, which was reported to the CNMV through Significant Event number 176071 on 31 October 2012. As a consequence of the publication of the new Circular 1/2017, of 26 April, of the CNMV regarding liquidity contracts the aforementioned liquidity contract was terminated on 30 June 2017 (Significant event number 254129) and a new liquidity contract was signed on 10 July 2017 which entered into force on 11 July 2017 (Significant event number 254428).

The CNMV was also notified of transactions carried out during the fiscal year 2017 within the scope of the referred two liquidity contracts via Significant Event numbers 247856, 252419, 254380 and 257734.

**(B.4)**

In addition to the information provided in section B.4, twelve shareholders holding a participation amounting to a total of fifty eight thousand seven hundred forty six (58,746) shares used the electronic voting system in the Ordinary General Shareholders Meeting in 2017.

**(B.7)**

In addition to the information provided in section B.7, the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

**(C.1.2)**

In addition to the information provided in section C.1.2, it must be highlighted that on 30 August 2017 Mr. Luis Javier Cortés Domínguez, independent director, resigned as member of the Board of Directors and subsequently as member of the Audit, Compliance and Related Party Transactions Committee and this vacancy was fulfilled after the approval by the Board of Directors, in its meeting held on October 20, 2017, of the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company.

In relation to the appointment of Mr. Luis Javier Cortés it shall be pointed out that as established in the significant event nº 255530, clause 8.3.1 of the Shareholder's Agreement entered into by Iberdrola Participaciones, S.A. (Sociedad Unipersonal), Siemens AG and Iberdrola, sets forth that, as long as the Shareholder's Agreement remains in force, Siemens AG would support that Iberdrola proposes one of the independent directors forming part of the Audit, Compliance and Related Party Transactions Committee of SIEMENS GAMESA, as happened with Mr. Cortés. Without prejudice of the above, clause 8.6 of the Shareholder's Agreement establishes that the Appointments and Remunerations Committee of SIEMENS

GAMESA, when deliberating and deciding in respect of any appointment or dismissal of any director, including the aforementioned appointment of Mr. Cortés, may always act freely and under its own criteria, without being bound by any opinion or recommendation whatsoever.

In order to complement the information supplied in Section C.1.2, it should be pointed out that the Board of Directors of SIEMENS GAMESA agreed, in its meeting of October 20, 2017, the appointment of Mr. Juan Antonio García Fuente as Deputy Secretary non member of the Board of Directors.

Regarding the resignation of members of the Board of Directors during the fiscal year, as included in section C.1.2, it shall be remarked that section C.1.9 gives further information in this regard including the motives for their resignations.

### **(C.1.3)**

In addition to the information provided in section C.1.3, it must be highlighted that on 30 August 2017 Mr. Luis Javier Cortés Domínguez, independent director, resigned as member of the Board of Directors and subsequently as member of the Audit, Compliance and Related Party Transactions Committee and this vacancy was fulfilled after the approval by the Board of Directors, in its meeting held on October 20, 2017, of the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company.

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**

#### **Markus Tacke**

Born in Frankfurt (Germany). He is currently Chief Executive Officer of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

He holds a Mechanical Engineering Degree from the Technical University of Darmstadt (Germany), Master Degree of Engineering by Cornell University (USA) and a PhD by the Technical University of Darmstadt (Germany).

With a great experience in the industry sector, he started his professional career in Ways&Freytag AG and joined Siemens group in 1998, having held a number of relevant positions: Head of the manufacturing Segment Rotor Manufacturing in the gas turbine plant Siemens owns in Berlin; Head of the Business Function Production within the Business Segment Industrial Steam Turbines, Head of the Business Segment Industrial Steam Turbines and CEO of the Business Unit Industrial Steam Turbines; last, CEO of the Business Unit Industrial Power within the Division Oil&Gas of the Sector Energy.

Since August 2013 and until April 2017, Mr. Markus Tacke held the post of CEO of Siemens Division Wind Power and Renewables.



### **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 Appointments and Remunerations Committee of SIEMENS GAMESA RENEWABLE ENERGY, 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., Rodríguez-Quiroga Abogados, S.L. and member of the Fundación Pro Real Academia de Jurisprudencia y Legislación.

### **PROPRIETARY DIRECTORS**

#### **Rosa María García García**

Born in Madrid, she holds the position of Chairwoman of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the Universidad Autónoma de Madrid (Spain) with a degree in Mathematics.

Since October 2011 to the present day, she has held the position of Chair and Chief Executive of Siemens España and since June 2016 the position of Chairwoman of the German Commerce Chamber in Spain.

Along her professional career she has held various management posts at WordPerfect and NEC Group and subsequently at Microsoft, where she has contributed to the development of a number of strategic projects; these positions include: Technical Support Manager at Microsoft Ibérica, Strategic Projects Manager at Microsoft Corporation, Global General Manager of Microsoft Corporation, Chair and Chief Executive of Microsoft Ibérica and Vice-Chair of Consumers and Online for Western Europe of Microsoft Corporation.

Furthermore, Ms Rosa María García has been a director of IBEX 35 companies such as Banesto, Bolsas y Mercados Españoles (BME), Bankinter and Acerinox.

#### **Sonsoles Rubio Reinoso**

Born in Segovia, she holds the position of Member of the Board of Directors and of the Appointments and Remuneration Committee of SIEMENS GAMESA RENEWABLE ENERGY, 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 Internal Audit Director of the Iberdrola Group. 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 Renovables, S.A. and later became Chief Compliance Officer.

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.

### **Lisa Davis**

Born in Idaho (U.S.), she holds the position of Member of the Board of Directors and of the Appointments and Remuneration Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the University of Berkeley (California, US) with a degree in chemical engineering.

Since August 2014 to the present day, she has been a member of the Managing Board of Siemens AG.

She has held various management posts at Exxon Corporation and Texaco and, subsequently, at Royal Dutch Shell (both in the US and the UK), during which time she has contributed to the development of the business related to hydrocarbons, fuels and alternative energies, and undertaken the following roles: Vice-Chair of the hydrocarbons supply for Europe, Vice-President of sales and marketing lubricants and bulk fuels Americas and Executive Vice-Chair of strategy, portfolio and alternative energy of Royal Dutch Shell.

### **Mariel von Schumann**

Born in Brussels (Belgium), she holds the position of Member of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the ICHEC University of Brussels (Belgium) with a degree in Economics and Business Administration and Management and she has completed a number of postgraduate programmes, including a Masters in International Business Administration and Management at EAP-ESCP Europe.

She is currently Siemens Chief of Staff and since November 2013 Head of Governance & Markets Department of Siemens AG.

Among her professional career she has held various management posts in Siemens AG in the departments of Mergers and Acquisitions, Strategy and Investor Relations, pointing out, among others, the following positions: General Manager of mergers and acquisitions in the Corporate Finance department and manager of the Investor Relations department.

#### **Ralf Thomas**

Born in Nürnberg (Germany), he holds the position of Member of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the University of Erlangen-Nuremberg (Germany) with a degree in Economics and Business Administration; he also holds a Doctorate in Company Tax Accounting.

Since September 2013 to the present day, he has been a member of the Managing Board and chief financial officer of Siemens AG.

He has held various management posts in a number of companies of the Siemens Group; these positions include: Head of Accounting and Treasury of Siemens Ltd. South Africa, Financial Manager of the Angiography and Fluoroscopic and Radiographic Systems of Siemens Medical Solutions and Head of Accounting, Control, Information and Corporate Finance Taxation of Siemens.

#### **Michael Sen**

Born in Korschbroich (Germany). He is currently member of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

He holds a Degree in business and management administration by the Technical University of Berlin.

He has developed his professional career in Siemens AG holding different posts in the corporate development and corporate finance areas as chief financial officer of the information solutions and applications. Likewise he held the post as senior vice president of strategy transformation and investor relations. For 7 years he worked as chief financial officer of the healthcare sector in Siemens. In 2015 he joined E.ON SE as chief financial officer and since 2017 he is member of the Managing Board of Siemens AG.

#### **(C.1.5)**

As additional information to section C.1.5 it shall be pointed out that Siemens Gamesa, in fulfillment of the “Royal Decree-law 18/2017, of November 24, in virtue of which the Code of Commerce, the restated text of the Capital Companies Law approved by the Legislative Royal Decree 1/2010, of July 2, and the Law 22/2015, of July 20, of Accounts Audit are being amended, on non-financial information and diversity”, has applied, during the fiscal year ended on September 30, 2017 and in relation to the Board of Directors and with the “Policy on selecting directors” approved by the Board of Directors on September 23, 2015, the “Diversity and inclusion policy” approved by the Board of Directors on the same date.

The aforementioned diversity policy has as purpose to promote respect for the law, equality and inclusion with the aim of guaranteeing that there is no discrimination by reason of race, gender, marital status, ideology, political opinions, nationality, religion or any other personal, physical or social condition, and also establishes that the employee selection, promotion and training or any other provision will be based on the merits and capabilities required for the different positions.

During the fiscal year ended on September 30, 2017, the Board of Directors approved the appointment, or appointments became effective, of a total of ten directors, who include a diversity of education and professional experience, age, nationality and gender, as can be red in their biographic and professional profiles in the corporate website of Siemens Gamesa.

Further detail about goals, measures taken and implementation method of the diversity policy in relation to the Board of Directors during the fiscal year can be found in the section C.1.5 itself.

#### **(C.1.7)**

In addition to the information provided in section C.1.7, Mr. Francisco Javier Villalba Sánchez was external proprietary director of the Company since his appointment on 25 February 2015 at the request of Iberdrola, S.A., subsequently re-elected on 8 May 2015, until his resignation on 29 March 2017.

Likewise, Mr. Gerardo Codes Calatrava was external proprietary director of the Company from his appointment on 14 September 2016 at the request of Iberdrola subsequently re-elected on 25 October 2016, until his resignation on 3 April 2017.

Finally, Mr. Klaus Helmrich was external proprietary director of the Company from his conditional appointment on 25 October 2016, at the request of Siemens AG, which became effective on 3 April 2017, until his resignation on 8 May 2017.

#### **(C.1.11)**

In addition to the information provided in section C.1.11, Mr. Markus Tacke held the position of CEO Offshore of Siemens Gamesa as of the effectiveness of the Merger (3 April 2017) until his appointment as member of the Board of Directors and CEO on 8 May 2017.

**(C.1.12)**

In addition to the information provided in section C.1.12, the following former Directors hold and current Directors held the following posts in the Board of Directors of the following companies listed in official security markets different from the Siemens Gamesa group:

<b>Director's name or company name</b>	<b>Company name of the listed entity</b>	<b>Position</b>
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.	Member of the Board of Directors and member of the Audit and Compliance Committee
	ENCE, ENERGÍA Y CELULOSA, S.A.	Member of the Board of Directors and member of the Audit Committee
Aldecoa Sagastasoloa, José María	VISCOFAN, S.A.	Member of the Board of Directors, member of the Audit Committee and Lead Independent Director
García García, Rosa María	ACERINOX, S.A.	Member of the Board of Directors and member of the Audit Committee (until her resignation on April 4, 2017)
	BANKINTER, S.A.	Member of the Board of Directors and Chairwoman of the Remunerations Committee (until her resignation on April 4, 2017)
Sen, Michael	E.ON SE	Chief Financial Officer (until March 31st, 2017)

**(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 Bylaws of SIEMENS 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 euro (€3,000,000) as 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 includes, in accordance with the Annual Directors' Remuneration Report, the amount corresponding to the part of the incentive comprising shares delivered during 2017, which was accrued by the previous Chairman and CEO, Mr. Ignacio Martín, 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 for the shares delivered in fiscal year 2017 (€20.50). In particular, the former 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 amounted to the delivery of 61,671 after the appropriate tax withholding), were delivered during the first 90 days of fiscal year 2017, being this second amount the one included in the remuneration to the Board of Directors of the present 2017 annual corporate governance report.

c) likewise, the remuneration of the Board of Directors includes, according to the Annual Report about the remunerations of the members of the Board, the amounts of the following recognized concepts to the previous chairman and CEO, Mr. Ignacio Martín during the fiscal year: extraordinary bonus linked to the effectiveness of the Merger and severance pay linked to the exercise of the change of control clause and 50% of the non-competition clause implemented at his departure from the Company.

d) the information shown therein does not coincide with the figure in Note 20 of the Individual Report and Note 31 of the Consolidated Report, which form part of the financial statements for fiscal year 2017 as the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger.

#### **(C.1.16)**

In addition to the information provided in section C.1.16, please note that:

a) the remuneration to the top management includes the amount corresponding to the part of the incentive comprising shares delivered during 2017, which was accrued by all members of top management regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. 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 the average listed share price on the resolution date (€15.81)) within the first 90 days of fiscal year 2016 and the remaining 50% (223,790 shares, though the number of shares actually delivered to each beneficiary was determined after applying the corresponding tax withholding at the average listed share price on the resolution date (€20.50)), were delivered within the first 90 days of fiscal year 2017, being this second amount the one included in the remuneration of the top management of the present 2017 annual corporate governance report.

b) likewise, the figure for the remuneration of the Top Management includes the amount of a severance payment and the amount due to a non-competition clause of a Top Manager, and likewise the extraordinary bonus linked to the effectiveness of the Merger for another Top Manager.

c) the information shown therein does not match the figures in Note 20 of the Individual Report and Note 32 of the Consolidated Report, which form part of the financial statements for fiscal year 2017, as the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger.

d) After the closing of the fiscal year 2017 certain members of the Senior Management left the Company and other joined it. On October 5, 2017 Mr. José Antonio Cortajarena Manchado, General Secretary, ended his relationship with SIEMENS GAMESA and on October 20, 2017 Mr. Jürgen Bartl was appointed new General Secretary. Likewise, Mr. Michael Hannibal, Offshore CEO, left SIEMENS GAMESA with effects on November 1, 2017 and Mr. Andreas Nauen was appointed his substitute as Offshore CEO. At last and as announced, Mr. Andrew Hall, Chief Financial Officer, will leave SIEMENS GAMESA with effects on December 1, 2017 and Mr. Miguel Ángel López will be the new Chief Financial Officer of the Company.

#### **(C.1.17)**

In addition to the information provided in section C.1.17, the following external proprietary director, who resigned on 8 May 2017 as member of the Board of Directors SIEMENS GAMESA held the following position as member of the Board of Directors of significant shareholder companies and/or entities of its group in the fiscal year 2017:

<b>Name or company name of the board member</b>	<b>Significant shareholder's name</b>	<b>Post</b>
Helmrich, Klaus	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board

The former Director Mr. Gerardo Codes Calatrava held the following relevant relationships, different from those in the previous paragraph, which related them to the significant shareholders and/or in entities of its group:

<b>Related board member's name or company name</b>	<b>Related significant shareholder's name or company name</b>	<b>Relationship description</b>
Codes Calatrava, Gerardo	IBERDROLA, S.A.	Director of Global Regulation Legal Services and Corporate Affairs of the Iberdrola Group

It shall also be pointed out that Mr. Markus Tacke held the post as CEO of Siemens Wind Power Division, part of the SIEMENS Group, until the date of effectiveness of the Merger on April 3, 2017.

#### **(C.1.18)**

In addition to the information provided in section C.1.18, the Board of Directors of Siemens Gamesa approved in its meeting held on November 30, 2017 the amendment of the Board of Directors Regulations. The purpose of the amendment has been to: (i) reflect the current corporate name of the Company (Siemens Gamesa Renewable Energy, S.A.); and (ii) adapt the period of notice required to convene the meetings of the Board of Directors and, consequently, provide the directors with all information relevant to the meetings, to two types of scenarios.

#### **(C.1.21)**

In addition to the information provided in section C.1.21, the following directors resigned during fiscal year 2017:

- Mr. Francisco Javier Villalba Sánchez, external proprietary director, informed the Company on 29 March 2017, according to Significant Event nº 250139 submitted to the CNMV on 30 March 2017, of his resignation as member of the Board and of the Remunerations Committee.
- Mr. Juan Luis Arregui Ciarsolo, independent director; Mr. Luis Lada Díaz, independent director; Mr. José María Aracama Yoldi, independent director; Mr. Jose María Aldecoa Sagastasoloa, independent director; Mr. José María Vázquez Egusquiza, independent director; and Mr. Gerardo Codes Calatrava, external proprietary director, tendered their resignation to the Company on 19 September 2016 at the approval of the call of the Extraordinary Shareholders' General Meeting of 25 October 2016 so that the composition of the Board of Directors as of the date of effectiveness of the Merger complied with the Common Terms of Merger. Therefore on 3 April 2017 their resignation became effective with the registration of the deed of Merger in the Commercial Registry of Biscay.
- Mr. Ignacio Martín San Vicente, executive director, informed the Company on 8 May 2017, according to Significant Event nº 251768 submitted to the CNMV on 9 May 2017, of his resignation as CEO.
- Mr. Klaus Helmrich, external proprietary director, informed the Company on 8 May 2017, according to Significant Event nº 251768 submitted to the CNMV on 9 May 2017, of his resignation as member of the Board.
- Mr. Luis Javier Cortés Domínguez, independent director, informed the Company on 30 August 2017, according to Significant Event nº 256051 submitted to the CNMV on 1 September 2017, of his resignation as member of the Board and of the Audit, Compliance and Related Party Transactions Committee.

#### **(C.1.29)**

In addition to the information provided in Section C.1.29 it shall be pointed out that during fiscal year 2017 the former Executive Committee had two meetings, the former Appointments Committee had two meetings and the former Remunerations Committee had three meetings.



**(C.1.30)**

In addition to the information provided in section C.1.30, one director was absent for four sessions, one director was absent for two sessions, and three directors were respectively absent for one meeting each of them, and in all these cases the directors delegated their attendance by proxy to another director of the same category yet with no specific instructions.

Likewise, 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 explains the duties of the Secretary, in addition to the duties assigned thereto by law or the Corporate Governance Standards.

Secretary of the Board of Directors of SIEMENS GAMESA, Carlos Rodríguez-Quiroga Menéndez, also Executive Director thereof, was last reelected to this position by the General Shareholders' Meeting on 20 June 2017.

**(C.1.35)**

In addition to the information provided in section C.1.35, article 28 of the Regulations of the Audit, Compliance and Related Party Transactions Committee of SIEMENS GAMESA regulate the relationships of the cited committee with the External Auditor. The full text is available at [www.siemensgamesa.com](http://www.siemensgamesa.com) and the references indicated in section C.1.35 to the domain [www.gamesacorp.com](http://www.gamesacorp.com) must be understood as addressed to [www.siemensgamesa.com](http://www.siemensgamesa.com), as the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

**(C.1.37)**

As a complement to the information provided in section C.1.37, it shall be noted that in the calculation of 0.18% only the fees not audit related have been considered as in previous years, including also those related to the former Gamesa Group for the period between January 1 to April 2, 2017, amounting to 11 thousand euros, divided by the total fees of the auditor (both audit related and not audit related) amounting to 6,089 thousand euros (also

considering those relating to the former Gamesa Group for the period between January 1 and April 2, 2017).

If other attest services amounting 1,580 thousand euros were also consider as part of Amount for other tasks not related to auditing (thousands of euros) and it is only divided between the total audit services (which amount to 4,498 thousand euros), this percentage would represent a 35%.

#### **(C.1.44)**

In addition to the information provided in section C.1.44, it shall be pointed out that Siemens Gamesa as Company member of the Siemens AG Group has accessed with effective date of October 1, 2017, to the insurance program of the Siemens Group which includes all risk material damages policy, liability policy, transport, chartering vessels and construction all risk policy. If the Company shall loose the category as member of the Siemens AG Group its right to access the aforementioned insurance program shall be declined.

#### **(C.1.45)**

In relation to the information provided in section C.1.45 regarding the CEO it shall be pointed out that his contract, and as included in the Annual report about the remunerations of the members of the Board, an obligation of post-contractual non-competition for a one year period is included which is paid with a base salary payable on a 50% at the termination and the other 50% after six months have passed since termination. Therefore the severance pay of a one year fixed salary included in C.1.45 and the aforementioned post-contractual non-competence obligation equal to a two year of fixed salary remuneration aligned with best practices and in fulfillment of Recommendation 62 of the GGC.

In addition to the information provided in section C.1.45, upon the announcement calling the SIEMENS GAMESA 2017 General Shareholders' Meeting, information was made available to shareholders regarding the safeguard and guarantee clauses regarding members of the top management. In particular, this information was included in the Company's "2016 Annual Corporate Governance Report", which was included in the complementary Management Report of the Annual Financial Statements corresponding to the year ended on 31 December 2016.

#### **(C.2.1)**

In addition to the information provided in section C.2.1 the references indicated to the domain [www.gamesacorp.com](http://www.gamesacorp.com) must be understood as addressed to [www.siemensgamesa.com](http://www.siemensgamesa.com), as the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

Likewise in addition to the information provided in paragraph C.2.1, Mr. Carlos Rodríguez-Quiroga Menéndez held the position of Secretary non-member of the Audit, Compliance and Related Party Transactions Committee until October 16, 2017, date on which the referred Committee approved to appoint Mr. Juan Antonio García Fuentes as Secretary non-member.

Furthermore, Mr. Carlos Rodríguez-Quiroga holds the position as Secretary non-member of the Appointments and Remunerations Committee.

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, likewise known as Merger Committee, and exclusively made up of independent directors tasked with fostering the Merger until it becomes effective, which occurred on 3 April 2017.

The variations occurring in the committees of the Board of Directors during and since the closure of the fiscal year are listed below:

### **Executive Committee**

Mr. Juan Luis Arregui Ciarsolo, independent director, Mr. Luis Lada Díaz, independent director, Mr. Jose María Aldecoa Sagastasoloa, independent Director and Mr. Gerardo Codes Calatrava, external proprietary director, tendered their resignation to the Company on 19 September 2016 at the approval of the call of the Extraordinary Shareholders' General Meeting of 25 October 2016 so that the composition of the Board of Directors as of the date of effectiveness of the Merger complied with the Common Terms of Merger. Therefore on 3 April 2017 their resignation as members of the Board and of the Executive Committee became effective with the registration of the deed of Merger in the Commercial Registry of Biscay.

Mr. Ignacio Martín San Vicente, executive Director, informed the Company on 8 May 2017, according to Significant Event nº 251768 submitted to the CNMV on 9 May 2017, of his resignation as CEO and subsequently as Chairman of the Executive Committee.

The Executive Committee has no members at the moment and therefore the Committee is not active, even though its formal suppression has not been approved.

### **Audit, Compliance and Related Party Transactions Committee**

The Board of Directors of 4 April 2017, according to the Significant Event 250331 submitted to the CNMV on 5 April 2017, approved the re-naming of the Audit and Compliance Committee to the "Audit, Compliance and Related Party Transactions Committee" and determined at three (3) the number of members of the Audit, Compliance and Related Party Transactions Committee.

The new members of the Audit, Compliance and Related Party Transactions Committee approved by the Board on 4 April 2017 were Ms. Swantje Conrad and Mr. Luis Javier Cortés Domínguez. Ms. Gloria Hernández García remained as Chairwoman of the Committee.

On 30 August 2017 Mr. Luis Javier Cortés Domínguez resigned as member of the Board of Directors and subsequently as member of the Audit, Compliance and Related Party Transactions Committee and this vacancy in the Board and in the aforementioned Committee was fulfilled after the approval by the Board of Directors, in its meeting held on October 20, 2017, of the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company.

### **Appointments and Remunerations Committee**

The Board of Directors of 4 April 2017, according to the Significant Event 250331 submitted to the CNMV on 5 April 2017, approved the merger of the Appointments Committee and the Remunerations Committee into a single committee under the name of “Appointments and Remunerations Committee” and fixed at five (5) the number of members of the Appointments and Remunerations Committee.

The new members of the Appointments and Remunerations Committee approved by the Board of Directors on 4 April 2017 were: Ms. Lisa Davis, Ms. Swantje Conrad, Mr. Klaus Rosenfeld and Ms. Sonsoles Rubio Reinoso. Mr. Andoni Cendoya Aranzamendi remained as Chairman of the merged Committee.

### **(C.2.5)**

In addition to the information provided in section C.2.5 the references indicated to the domain [www.gamesacorp.com](http://www.gamesacorp.com) must be understood as addressed to [www.siemensgamesa.com](http://www.siemensgamesa.com), as the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

### **(D.2)**

In addition to the information provided in section D.2, this information coincides with Note 33 of the Consolidated Report incorporated in the 2017 Financial Statements, pointing out that the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger. The amount of significant transactions between the Company and/or entities of its Group and Iberdrola, S.A. during the first quarter of 2017, for sale of goods and services, was 247,170 thousand euro.

It should also be noted that the amount attributed to “Received services” of IBERDROLA, S.A., included in cited Note 33 of the Consolidated Report in relation to the period April-September 2017, corresponds to the supply of electricity to facilities of the SIEMENS GAMESA Group by IBERDROLA though this amount was not included in section D.2, since it did not merit consideration as relevant. The amount for “received services” of IBERDROLA, S.A. for the same concept, for the period January-March 2017, was 1,751 thousand euro.

Regarding the amount attributed to “Sales and services rendered” of Siemens Group, included in cited Note 33 of the Consolidated Report (2,223 thousand euro), it shall be remarked that it was not included in Section D.2 as none of its transactions individually did merit consideration as relevant, taking as relevant only those transactions for an amount over 1,000 thousand euro. The same relevance criteria has been applied for those transactions included in “Purchases and services received” of Siemens Group in the same Note 33, having only included in Section D.2 those with an amount over the aforementioned threshold and aggregated by Siemens Gamesa Group companies. The amount of the transactions included in “Purchases and services rendered” of Siemens Group in the referred Note 33 but not included in section D.2 is 32,217 thousand euro.

#### **(D.4)**

To complement the information provided in paragraph D.4, please note that:

- a) SIEMENS GAMESA 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) SIEMENS GAMESA has no transactions with these companies of the Siemens 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:

<b>Company name of the entity in its group</b>	<b>Brief description of the transaction</b>	<b>Report (thousands of euros)</b>
Gamesa Singapore Private Limited	Intercompany financing interests	156
Gamesa Cyprus Limited	Intercompany financing interests	(11)
Gamesa Mauritius LTD	Intercompany financing interests	18
Gamesa Mauritius LTD	Intercompany sales and service rendering	47
Gamesa Eolica SL, Jordan	Intercompany sales and service rendering	639
Gamesa Eólica S.L. "Branch Jamaica"	Intercompany sales and service rendering	47

#### **(D.5)**

In addition to the information provided in section D.5, this information coincides with Note 33 of the Consolidated Report incorporated in the 2017 Financial Statements, pointing out that the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger. The amount for other related party transactions of the Company, during the aforementioned 2017 first quarter, was 39,887 thousand euro.

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.

SIEMENS 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. SIEMENS 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. SIEMENS 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. SIEMENS 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. SIEMENS 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. SIEMENS 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. SIEMENS 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. SIEMENS 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. SIEMENS GAMESA acceded voluntarily to the "Diversity Charter in Spain" as of November 3, 2014.

h) "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.

i) "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. SIEMENS GAMESA 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 SIEMENS GAMESA approved the adherence thereto in its session on 22 February 2017 and on 21 March 2017 the Company was officially incorporated to the list of companies adhered to the Code of Good Tax Practices.

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This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on November 30, 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 OF "SIEMENS GAMESA RENEWABLE ENERGY, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222 WITH EMPLOYER IDENTIFICATION NUMBER A-01011253.

HEREBY CERTIFY:

That the text of the consolidated management report for 2017 of SIEMENS GAMESA RENEWABLE ENERGY, S.A., authorized for issue by the Board of Directors at its meeting held on November 30, 2017, is the content of the preceding 155 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear the signature of the President and the Secretary of the Board of Directors on its first sheet and the stamp of the Company in the total remaining sheets.

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

\_\_\_\_\_  
Rosa María García García  
Chairwoman

\_\_\_\_\_  
Markus Tacke  
CEO

\_\_\_\_\_  
Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors

\_\_\_\_\_  
Lisa Davis  
Member of the Board of Directors

\_\_\_\_\_  
Swantje Conrad  
Member of the Board of Directors

\_\_\_\_\_  
Klaus Rosenfeld  
Member of the Board of Directors

\_\_\_\_\_  
Sonsoles Rubio Reinoso  
Member of the Board of Directors

\_\_\_\_\_  
Ralf Thomas  
Member of the Board of Directors

\_\_\_\_\_  
Mariel von Schumann  
Member of the Board of Directors

\_\_\_\_\_  
Gloria Hernández García  
Member of the Board of Directors

\_\_\_\_\_  
Michael Sen  
Member of the Board of Directors

\_\_\_\_\_  
Andoni Cendoya Aranzamendi  
Member of the Board of Directors

\_\_\_\_\_  
Alberto Alonso Ureba  
Member of the Board of Directors



Statement by the Secretary of the Board of Directors to let the record reflect that: (i) Ms. Lisa Davis and Mr. Ralf Thomas do not sign this document as they have not physically attended the meeting of the Board of Directors due to force majeure; that (ii) both have delegated their representation and vote for the items included in the agenda to the director Mr. Michael Sen, and that (iii) Michael Sen, who holds an express authorization conferred for these purposes by the aforementioned directors, has signed this document on their behalf. It is also stated that Mr. Klaus Rosenfeld attends the meeting by telephone and therefore he does not sign this document and that Ms. Swantje Conrad has signed this document on his behalf in virtue of an express authorization conferred for these purposes by Mr. Klaus Rosenfeld.

Madrid, November 30, 2017. In witness whereof

Approval of the Chairwoman

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Rosa María García García  
Chairwoman

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Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors

## ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY

The members of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A. state that, to the best of their knowledge, the individual annual accounts and the consolidated annual accounts for the financial year ending on September 30, 2017, issued at its meeting of November 30, 2017, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial conditions and the results of operations of Siemens Gamesa Renewable Energy, S.A. as well as of the subsidiaries included within scope of consolidation, taken as a whole, and that the management report supplementing contains a fair assessment of performance and results and the position of SIEMENS GAMESA RENEWABLE ENERGY, S.A. and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

In Madrid, November 30, 2017.

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Rosa María García García  
Chairwoman

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Markus Tacke  
CEO

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Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors

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Lisa Davis  
Member of the Board of Directors

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Swantje Conrad  
Member of the Board of Directors

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Klaus Rosenfeld  
Member of the Board of Directors

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Sonsoles Rubio Reinoso  
Member of the Board of Directors

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Ralf Thomas  
Member of the Board of Directors

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Mariel von Schumann  
Member of the Board of Directors

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Gloria Hernández García  
Member of the Board of Directors

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Michael Sen  
Member of the Board of Directors

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Andoni Cendoya Aranzemendi  
Member of the Board of Directors

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Alberto Alonso Ureba  
Member of the Board of Directors

Statement by the Secretary of the Board of Directors to let the record reflect that: (i) Ms. Lisa Davis and Mr. Ralf Thomas do not sign this document as they have not physically attended the meeting of the Board of Directors due to force majeure; that (ii) both have delegated their representation and vote for the items included in the agenda to the director Mr. Michael Sen, and that (iii) Michael Sen, who holds an express authorization conferred for these purposes by the aforementioned directors, has signed this document on their behalf. It is also stated that Mr. Klaus Rosenfeld attends the meeting by telephone and therefore he does not sign this document and that Ms. Swantje Conrad has signed this document on his behalf in virtue of an express authorization conferred for these purposes by Mr. Klaus Rosenfeld.

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Mr. Carlos Rodríguez-Quiroga Menéndez

Auditor's report on information relating to the internal  
control over financial reporting (ICFR) for 2017

SIEMENS GAMESA RENEWABLE ENERGY, 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 SIEMENS GAMESA RENEWABLE ENERGY, S.A. for 2017

To the Directors,

At the request of the Board of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (hereinafter the Company), and in accordance with our proposal dated November 24, 2017, we applied certain procedures to the accompanying "ICFR-related information" included in the 2017 Corporate Governance Report (English version pages 63 to 78) for SIEMENS GAMESA RENEWABLE ENERGY, S.A. and subsidiaries (hereinafter the Group), which summarizes the Group'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 Group's internal control system as 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 Group'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 Group's 2017 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 the Spanish 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 nº 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 Group.
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 Audit Committee.
4. Compare the information contained in section 1 above with the Group'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 Committee, and other Group committee 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 article 540 of the consolidated text of the Corporate Enterprises Act and by Circular 7/2015 of the Spanish National Security Market, dated December 22, 2015, related to the description of the ICFR in the Corporate Governance Report.

ERNST & YOUNG, S. L.

*(Signed on the original)*

November 30, 2017