

Gamesa
2015

Financial statements

Auditors' Report

Consolidated Financial Statements for the year ended 31 December 2015

Activity Report

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2015

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

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)

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statement of financial position at December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and its subsidiaries at December 31, 2015, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated 2015 management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2015 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

The original signed in spanish

February 25, 2016

Consolidated balance sheets at december 31, 2015 and 2014^(*)

Thousands of euros

Assets	Notes	12.31.15	12.31.14 ^(*)
Non-current assets			
Intangible assets			
Goodwill	8	388,410	386,756
Other intangible assets	9	135,975	235,047
		524,385	621,803
Property, plant and equipment	10		
Property, plant and equipment in use		327,282	315,941
Property, plant and equipment in the course of construction		31,889	17,596
		359,171	333,537
Investments accounted for using the equity method	11	127,026	56,203
Non-current financial assets	13		
Derivatives		7,584	1,864
Investment securities		36,423	35,683
Other non-current financial assets		3,384	3,158
Other non-current financial assets, related companies		99,883	-
		147,274	40,705
Deferred tax assets	25	421,788	405,289
Total non-current Assets		1,579,644	1,457,537
Current assets:			
Inventories	14	803,259	564,492
Trade and other receivables	15	988,838	1,052,597
Trade receivables from related companies	32	81,581	67,592
Tax receivables	26	213,083	192,529
Other receivables		42,171	44,446
Current financial assets			
Derivative financial instruments	22	9,662	8,963
Other current financial assets		16,789	19,041
Other current financial assets from related companies	32	7,559	2,108
		34,010	30,112
Cash and cash equivalent	16	869,333	811,029
Total current assets		3,032,275	2,762,797
Current assets classified as held for sale	36	28,746	31,516
Total assets		4,640,665	4,251,850

^(*) Presented for comparison purposes only.

The accompanying Notes 1 to 38 and the Appendix are an integral part of the consolidated balance sheet at December 31, 2015.

Thousands of euros

Equity and liabilities	Notes	12.31.15	12.31.14 ^(*)
Equity			
Of the Parent	18		
Share capital		47,476	47,476
Share premium		386,415	386,415
Other reserves		976,921	884,118
Unrealised asset and liability revaluation reserve		7,675	1,762
Translation differences		(15,551)	(1,426)
Treasury shares		(46,244)	(24,873)
Net profit for the year		170,216	91,848
		1,526,908	1,385,320
Of non-controlling interests	19	296	93
Total equity		1,527,204	1,385,413
Non-current liabilities:			
Provisions for contingencies and charges	23	256,912	235,040
Bank borrowings	21	444,902	527,311
Other non-current liabilities	24	43,940	53,629
Deferred tax liabilities	25	115,648	83,405
Derivative financial instruments	22	3,869	738
Total non-current liabilities		865,271	900,123
Current liabilities			
Bank borrowings and other financial liabilities			
Bank borrowings	21	102,899	92,583
Derivative financial instruments	22	4,265	13,448
		107,164	106,031
Trade and other payables		1,788,901	1,448,770
Trade payables to related companies	32	148,721	237,949
Other payables			
Tax payables	26	100,273	99,859
Other current liabilities		102,288	71,725
		202,561	171,584
Total current liabilities		2,247,347	1,964,334
Current liabilities associated with assets classified as held for sale	36	843	1,980
Total equity and liabilities		4,640,665	4,251,850

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 38 and the Appendix are an integral part of the consolidated balance sheet at December 31, 2015.

Consolidated income statements for the years ended december 31, 2015 and 2014^(*)

Thousands of euros

	Notes	2015	2014 ^(*)
Continuing operations			
Revenue	7 y 29.A	3,503,802	2,846,157
+/- Changes in inventories of finished goods and work in progress		79,575	54,996
Procurements	29.B	(2,478,139)	(1,996,070)
Other operating income	29.A	63,448	59,199
Staff costs	29.C	(341,050)	(302,924)
Other operating expenses	29.D	(307,490)	(296,863)
Depreciation	29.E	(96,053)	(91,955)
Provisions	29.E	(133,305)	(83,393)
Net impairment losses on assets		31,957	(7,968)
Operating income		322,745	181,179
Finance income	29.F	13,599	11,682
Finance costs	29.G	(47,125)	(54,355)
Exchange differences (gains and losses)		(10,632)	(3,712)
Results of companies accounted for using the equity method	11	(24,988)	(667)
Profit before tax from continuing operations		253,599	134,127
Income tax on profit from continuing operations	27	(76,553)	(38,119)
Net profit for the year from continuing operations		177,046	96,008
Discontinued operations:			
Profit from the year from discontinued operations	7 and 36	(7,172)	(4,839)
Net profit for the year		169,874	91,169
Non-controlling interests	19	342	679
Total profit for the year attributable to the parent		170,216	91,848
Earnings per share in euros (basic and diluted) from continuing and discontinued operations attributable to the parent	35		
From discontinued operations		0,6424	0,3737
From discontinued operations		(0,0260)	(0,0187)
Earnings per share in euros (basic and diluted)		0,6164	0,3550

^(*) Presented for comparison purposes only.

The accompanying Notes 1 to 38 and the Appendix are an integral part of the consolidated income statement for 2015.

Consolidated statements of comprehensive income for the years ended december 31, 2015 and 2014^(*)

Thousands of euros

	Notes	2015	2014 ^(*)
Consolidated profit for the year		169,874	91,169
Total income and expense recognised directly in equity			
Items that can be transferred subsequently to results:			
Income and expense transferred directly to equity			
Arising from cash flow hedges	18.C	9,260	(717)
Translation differences		(14,125)	46,822
Tax effect	18.C	(3,001)	245
		(7,866)	46,350
Total transfers to profit or loss			
Arising from cash flow hedges	18.C	(516)	2,940
Tax effect	18.C	170	(894)
		(346)	2,046
Other comprehensive income		(8,212)	48,396
Total comprehensive income		161,662	139,565
Attributable to the Parent		162,004	140,244
Attributable to non-controlling interests	19	(342)	(679)
Total comprehensive income		161,662	139,565
From continuing operations		168,834	144,404
From discontinued operations		(7,172)	(4,839)

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 38 and the Appendix are an integral part of the consolidated statement of comprehensive income for the 2015.

Consolidated statements of changes in equity for the years ended december 31, 2015 and 2014^(*)

	Share capital	Share premium	Unrealised asset and liability revaluation reverse	Restricted reserves	
				Legal reserve	Reserve for redenomination of capital in euros
Balances at January 1, 2014 (*)	43,160	154,619	188	8,408	1
Total comprehensive income for 2014			1,574		
Capital increase	4,316	231,796			
Distribution of 2013 profit					
Other reserves				224	
Treasury share transactions (Notes 3.P and 18.E)					
Incentive plans (Note 18.E)					
Other transactions					
Balances at December 31, 2014 (*)	47,476	386,415	1,762	8,632	1
Total comprehensive income for 2014			5,913		
Distribution of 2014 profit					
Other reserves				862	
Dividend in charge of the outcome of 2014					
Treasury share transactions (Notes 3.P and 18.E)					
Incentive plans (Note 18.E)					
Other transactions					
Balances at December 31, 2015	47,476	386,415	7,675	9,494	1

^(*) Presented for comparison purposes only.

The accompanying Notes 1 to 38 and the Appendix are an integral part of the statement of changes in consolidated total equity for the year 2015.

Thousands of euros

Reserve for treasury shares	Treasury shares	Other reserves	Translation differences	New profit for the year	Interim Dividend	Non-controlling interests	Total equity
21,340	(21,340)	810,138	(48,248)	45,033	(565)	4,924	1,017,658
			46,822	91,848		(679)	139,565
		(2,588)					233,524
		44,809		(45,033)			
3,533	(3,533)	(1,653)					(1,653)
		2,729					2,729
		(2,823)			565	(4,152)	(6,410)
24,873	(24,873)	850,612	(1,426)	91,848		93	1,385,413
			(14,125)	170,216		(342)	161,662
		68,204		(69,066)			
				(22,782)			(22,782)
21,371	(21,371)	(120)					(120)
		1,639					1,639
		847				545	1,392
46,244	(46,244)	921,182	(15,551)	170,216		296	1,527,204

Consolidated statements of cash flows from continuing operations for the years ended december 31, 2015 and 2014^(*)

	Notes	2015	2014 ^(*)
Cash flows from operating activities			
Profit before tax		246,427	131,833
Adjustments for			
Depreciation charge, provisions and allowances	9,10,22 and 29.E	229,358	175,348
Incentive Plan	18.E and 29.C	1,639	2,729
Finance income and costs	29.F and 29.G	45,475	49,565
Results of entities valued by the equity method	11	24,988	667
Net impairment losses on non-current assets	10 and 11	(29,111)	7,968
Changes in working capital			
Change in trade and other receivables		14,861	426,626
Change in inventories		(257,211)	(71,295)
Change in trade and other payables		233,355	(263,171)
Effect on working capital of changes in consolidation method and/or scope			(923)
Effect of translation differences on working capital of foreign companies		(8,017)	39,306
Payments of provisions	23	(88,235)	(108,706)
Income taxes charged/(paid)		(60,612)	(30,402)
Interest received		11,899	8,829
Interest paid		(39,752)	(59,288)
Net cash flows from operating activities (I)		325,064	309,086
Cash flows from investing activities			
Acquisition of subsidiaries, net of the existing liquid items	2.G	(2,544)	
Investments in intangible assets	9	(55,520)	(55,692)
Investments in property, plant and equipment	10	(112,338)	(55,383)
Investments in other non-current financial assets	13	(3,672)	(3,249)
Investments in other current financial assets		(8,005)	(11,409)
Receipts from disposals of intangible assets and property, plant and equipment		11,140	26,107
Receipts from disposal of financial and non financial assets		685	10,717
Receipts from disposal of subsidiaries			85,416

Thousands of euros			
	Notes	2015	2014 ^(*)
Net Cash flows from investment activities (II)		(170,254)	(3,493)
Cash flows from financing activities:			
Equity amortisation/(issue) of subsidiaries	11	5,880	(4,060)
Capital increase			232,520
New bank borrowings		222,441	97,517
Dividends paid		(22,782)	
Dividends charged	11	3,006	
Cash outflows relating to bank borrowings		(304,619)	(725,379)
Acquisition and disposals of treasury shares		(120)	(1,653)
Net cash flows from financing activities (III)		(96,194)	(401,055)
Effect of foreign exchange rate changes on cash and cash equivalents (IV)		(311)	12,875
Effect of changes on cash and cash equivalents and of transfers to assets classified as held for sale (V)			
Net increase in cash and cash equivalents from continuing operations (I+II+III+IV+V)		58,305	(82,587)
Cash and cash equivalents from continuing operations at beginning of year	16	811,028	893,615
Total cash and cash equivalents from continuing operations at end of year	16	869,333	811,028

^(*) Presented for comparison purposes only.

The accompanying Notes 1 to 38 and the Appendix are an integral part of the consolidated statement of cash flows for 2015

**Notes to the Consolidated
Annual Accounts for the year
ended December 31, 2015**

1

Formation of the Group and its activities

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

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

- a) Subscription and acquisition of shares, or securities that are convertible into shares, or which grant rights for their preferential acquisition, in companies whose shares may be listed or not on Spanish or foreign stock markets.
- b) Subscription and acquisition of fixed-income securities or any other securities issued by the companies in which it holds an interest, as well as the granting of participating loans or guarantees.
- c) Direct provision to investees of counselling, technical assistance and other similar services related to the management of investees, to their financial structure or to their production or marketing processes.

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

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

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

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

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

- Wind Turbines (*)
- Operation and maintenance

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

A Information on the environment

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

2

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

A Basis of presentation

The Consolidated Financial Statements for 2015 of the GAMESA Group were formally prepared:

- By the directors of GAMESA, at the Board of Directors Meeting held on February 24, 2016.
- Since 2005, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, including the International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The Consolidated Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value. The principal accounting policies and measurement bases applied in preparing the GAMESA Group's Consolidated Financial Statements for 2015 are summarised in Note 3.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the Consolidated Financial Statements.
- So that they present fairly the consolidated equity and consolidated financial position of the GAMESA Group at December 31, 2015, and the consolidated results of its operations and its consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by GAMESA and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's Consolidated Financial Statements for 2015 (IFRS) could differ from those used by the Group companies when preparing their individual financial statements in accordance with local standards, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards (IFRS).

The Consolidated Financial Statements of the GAMESA Group for 2014 were approved by the shareholders at the General Meeting of GAMESA held on May 8, 2015 and were filed at the Vizcaya Mercantile Registry. The Group's 2015 Consolidated Financial Statements have not yet been approved by the shareholders at the General Meeting. However, the Board of Directors of GAMESA considers that these Consolidated Financial Statements will be approved without any changes.

B Adoption of new or revised international financial reporting standards (IFRS)

In 2015 new accounting standards and amendments came into force and were therefore taken into account when preparing these Consolidated Financial Statements as the following:

B.1 Standards and amendments published by the IASB (International Accounting Standards Board) and adopted by the European Union for its application in Europe from January 1, 2015:

- IFRIC 21: "Levies"
- Annual improvements to IFRS – Course 2011-2013
 - IFRS 3: "Business combinations"
 - IFRS 13: "Fair value calculation"
 - IAS 40: "Investment properties"

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

B.2 At the date of preparation of these Consolidated Financial Statements there have been issued the following standards, amendments and interpretations whose effective date is subsequent to December 31, 2015:

		Mandatory application for years beginning from
	Annual improvements to several standards 2010-2012	February 1, 2015
	Annual improvements to several standards 2012-2014	January 1, 2016
Amendments to IAS 19	Defined benefit Plans: employee contributions	February 1, 2015
IFRS 14	Deferred regulatory accounts	January 1, 2016
Amendments to IFRS 11	Joint arrangements	January 1, 2016
Amendments to IAS 16 and 38	Accepted depreciation methods	January 1, 2016
Amendments to IAS 27	Equity method in separate financial statements	January 1, 2016
Amendments to IAS 28I and FRS 10	Sale or contribution of assets between an investor and its associate or joint	January 1, 2016
Amendments to IAS 1	Disclosure initiative	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment companies: exemption to consolidation	January 1, 2016
Amendments to IAS 7	Statement of cash flows: initiative for information to disclose	January 1, 2017
Amendments to IAS 12	Recognition of deferred tax assets from unrealized losses	January 1, 2017
IFRS 15	Income from client agreements	January 1, 2018
IFRS 9	Financial instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

At the preparing date of these Consolidated Financial Statements, these standards, interpretations and amendments are pending on the adoption by the European Union with the exception of the amendments to IAS 1, IAS 12, IAS 19, IAS 27, IAS 16 and 38, IFRS 11, IFRS 14 and periods 2010-2012 and 2012-2014 of improvements to many standards.

None of these standards have been adopted in advance by the GAMESA Group. The Group is, at present, analyzing the impact of the application of those approved standards, interpretations and amendments whose application is not mandatory in the year 2015. In the specific case of IFRS 9, IFRS 15 and IFRS 16, that analysis will continue during the year 2016 due to their complexity. Regarding the rest of the standards, GAMESA estimates that its application would not have supposed significant amendments to the present Consolidated Financial Statements in and will not suppose a significant impact in the moment of its initial application.

C Functional and presentation currency

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

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

D Responsibility for the information

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

E information relating to previous year

As required by IAS 1, the information relating to 2015 contained in these notes to the Consolidated Financial Statements is presented, for comparison purposes, with the information relating to 2014 and, accordingly, it does not constitute the GAMESA Group's statutory Consolidated Financial Statements for 2014.

F Basis of consolidation

Subsidiaries

The subsidiaries over which the GAMESA Group exercises control were fully consolidated by equity method.

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

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

Joint ventures

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

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

Associated companies

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

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

Basic standards of consolidation

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

- The Group is considered to be carrying out a business combination when the assets acquired and liabilities assumed constitute a business. The Group accounts for each business combination by applying the acquisition method, which entails identifying the acquirer, determining the acquisition date-which is the date on which control is obtained- and cost of acquisition, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and, lastly, recognising and measuring goodwill or a gain from a bargain purchase.
- Goodwill arising as described in the preceding paragraph has not been amortised since January 1, 2004, the date of transition to IFRS, although it is reviewed for impairment at least once a year (Note 8).
- Goodwill is initially measured as the amount in excess paid, the amount of any non-controlling stake in a target company and, in a business combination carried out by stages, the fair value at the acquisition date of any prior stakes in the target company's equity, if any, above the fair value of the identifiable net assets acquired. If the total amount paid, the non-controlling stake recognised and the interest previously maintained is less than the fair value of the acquired company's net assets in the event of very favourable conditions, the difference is recognised directly in the income statement.
- Identifiable assets acquired and liabilities assumed are initially valued at their fair value at the acquisition date.
- For each business combination, the buyer will assess in the acquisition date, the components of non-controlling shareholdings held by the acquiree that constitute current ownership and grant the holder the right to a proportional part of the company's net assets in the event of liquidation, at:
 - a) fair value, or
 - b) the proportional part that the current ownership instruments represent in the amounts recognised by the acquiree as net identifiable assets.

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

- The value of non-controlling shareholdings in equity and results of the fully consolidated subsidiaries is presented under “Equity - Of Non-Controlling Interests” in the consolidated balance sheet and “Profit for the Year - Attributable to Non-Controlling Interests” in the consolidated income statement.
- Any contingent compensation to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes in the fair value of the contingent compensation that is considered to be an asset or a liability are recognised in the income statement or a change in other comprehensive results in accordance with IAS 39. Contingent compensation that is classified as equity is not remeasured and subsequent payment is recorded under equity.
- Acquisitions-related costs are recognised as expenses in the year in which they are incurred and, therefore, are not considered to be an increase in the cost of the combination.
- In business combinations achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss.
- Purchases and sales of non-controlling interests in companies that are and continue to be subsidiaries both prior and subsequent to the aforementioned transactions are considered to be transactions between shareholders and, therefore, the payments made will be recognised in the Group's consolidated equity (Note 19).
- When the Group loses control over a subsidiary, it derecognises the subsidiary's assets (including goodwill) and liabilities and the non-controlling interest at the carrying amount thereof at the date on which control is lost. The consideration received and the investment retained in the aforementioned company are measured at their fair value at the date when control is lost and any gain or loss is recognised in profit or loss.
- The financial statements of foreign companies were translated to euros using the year-end exchange rate method. This method consists of translating to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the Consolidated Financial Statements, the consolidated income statement items at the average exchange rates for the year, and equity at the historical exchange rates at the date of acquisition (or in the case of retained earnings at the average exchange rates for the year in which they were generated), and the differences are recognised with a charge or a credit, as appropriate, to “Equity - Of the Parent - Translation Differences” in the consolidated balance sheet.
- The accompanying Consolidated Financial Statements include certain adjustments to bring the accounting policies and procedures applied by the subsidiaries into line with those of GAMESA.
- All balances and transactions between fully and proportionally consolidated companies have been eliminated in the consolidation. Gains that arise on intra-group transactions that are recognised as assets are also eliminated (including transactions with associated companies).
- The result of accounting for ownership interests using the equity method (after eliminating results on intra-Group transactions) is reflected under “Equity - Of the Parent - Other Reserves” and “Results of Companies Accounted for Using the Equity Method” in the accompanying consolidated balance sheet and consolidated income statement, respectively. The equity method consists of initially recognising the investment at cost and subsequently adjusting it, based on the changes in the portion of the entity's net assets that corresponds to the investor, recognising in the investor's profit or loss the corresponding portion of the investee's result for the year (Note 11).

G Changes in the scope of consolidation

The most significant inclusions in the scope of consolidation in 2015 and 2014 were as follows:

Incorporation or acquisition of new companies

Year 2015

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

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

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

On July 29, 2015 the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 100% of the share capital of B9 Energy O&M Limited, a North Irish company mainly dedicated to the render of wind farm maintenance services both in Ireland and United Kingdom, for an amount of €2,687 thousands (Note 8). At the acquisition date, that company had cash and cash equivalents for an amount of €143 thousands.

On December 17, 2015, the GAMESA Group subscribed a purchase-sale agreement for the acquisition of 50% of the share capital of Nuevas Estrategias de Mantenimiento, S.L., a Spanish company mainly dedicated to the design, production, development and commercialization of engineering and technological solutions for an amount of €4,500 thousands, being this operation subject to the compliance of several precedent conditions that are supposed to be complied during the first term of 2016. This is the reason why this has not been consolidated at December 31, 2015. No amount has been paid at December 31, 2015.

Year 2014

Company incorporated / acquired	Incorporating company	Interest held by the Group
Gesan México 1, S.A.P.I. de C.V.	Gamesa Energía, S.A.U.	100%
Energía Eólica de México, S.A. de C.V.	Gamesa Energía, S.A.U.	50%
Energía Renovable del Istmo, S.A.P.I. de C.V.	Gamesa Energía, S.A.U.	50%
Société D'exploitation Du Parc Eolien Du Tonnerois	Gamesa Inversiones Energéticas Renovables S.C.R. de Régimen Simplificado, S.A. (**)	100%
Lichnowy Windfarm Sp. z o.o.	Gamesa Energía, S.A.U.	100%
Ujazd Sp. z o.o.	Gamesa Energía, S.A.U.	100%
Gamesa Mauritania SARL	Gamesa Eólica, S.L.U	100%
Gamesa Ukraine LLC	Gamesa Europa, S.L.U (*)	100%
Windar Offshore, S.L.	Windar Renovables, S.L.	32%

(*) Gamesa Europa, S.L. (Unipersonal) (formerly Gamesa Energía Galicia, S.L. Unipersonal) holds 99% of the share capital in this company while Gamesa Eólica, S.L. (Sociedad Unipersonal) owns the remaining 1%.

(**) Actually Gamesa Inversiones Energéticas, S.A.

At the end of 2014, the aforementioned companies are fully consolidated with the exception of Windar Offshore, S.L.U. which is consolidated by the equity method.

On October 29, 2014, Gamesa Energía, S.A.U. acquired 100% of Central Eólica de México I, S.A. de C.V. for an amount of €2,577 thousands. This company is owner of rights to use land for the promotion of wind farms in Mexico.

Exits from the scope of consolidation - Sales

Year 2015

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

Year 2014

Company	Activity	Registered Address	%
Parco Eolico Orune, Srl	Operation of wind farms	Italy	100%
Parque Eólico do Pisco, S.A.	Operation of wind farms	Portugal	100%
Energiaki Ptoon, S.A.	Operation of wind farms	Greece	100%
Eólica El Retiro S.A.P.I. de C.V.	Operation of wind farms	Mexico	87.50%
Energiaki Maristi MEPE (SLU)	Electric energy production	Greece	100%
Elecdey Barchín, S.A.	Operation of wind farms	Spain	100%
Worldwater & Solar Technologies Inc.	Operation of wind farms	USA	25.67%
Vento Artabro, S.A.	Operation of wind farms	Spain	80%
Sistemas Energéticos Almodóvar del Río, S.L.	Electric energy production	Spain	100%

Exits from the scope mainly correspond to wind farms that have been sold during 2015 and 2014 and whose net assets were classified as stock, so that the sale of them, as it is stated in Note 3.A., has been registered in “Revenue” of 2015 and 2014 consolidated income statement, for an equivalent to the sum of the wind farm’s shares price and the net debt related to that wind farm.

Exits from the scope of consolidation - Winding up of companies

Year 2015

Company	Activity	Registered Address	%
Sistemas Energéticos Ortegat, S.A.	Electric power production	Spain	80%
Ger Cerbal S.R.L.	Electric power production	Romania	100%
Ger Jirlau S.R.L.	Electric power production	Romania	100%
Ger Ponor S.R.L.	Electric power production	Romania	100%
Ger Pribeagu S.R.L.	Electric power production	Romania	100%
Ger Bordusani S.R.L.	Electric power production	Romania	100%
Coemga Renovables, S.L.	Operation of wind farms	Spain	100%
Coemga Renovables 1, S.L.	Operation of wind farms	Spain	100%
Gamesa Wind (Tianjin) co. Ltd, Shanxi Branch	Manufacturing wind turbine components	China	100%
Zefiro Energy S.R.L.	Operation of wind farms	Italy	100%

Year 2014

Company	Activity	Registered Address	%
Sistemas Energéticos Ferrol Nerón, S.A.U.	Operation of wind farms	Spain	100%
Xeneración Eólica de Galizia, S.A.	Development of wind farms	Spain	65%
Gamesa Estonia OÜ	Manufacturing and Holding Company	Estonia	100%

Changes in the shareholdings of subsidiaries

Year 2015

The GAMESA Group increased its stake in Lingbo SPW AB in 2015, until reaching the 100% of the stake of that company over which already had the control. That amendment did not have a significant impact in the net consolidated equity at December 31, 2015.

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

Year 2014

During 2014 GAMESA Group has increased the stake in Gesacisa Desarrolladora, S.A de CV and Eólica Dos Arbolitos, S.A.P.I de CV, up to 100% of both companies from over which already had control. Additionally, it has increased the stake in New Broadband Network Solutions, S.L. up to 39.62% (18.81% in 2013). Those changes have no significant impact on the Consolidated Equity at December 31, 2014.

On the other hand, in the first semester of 2014, GAMESA has increased the stake in Compass Transworld Logistics, S.A. up to 100% (51% at December 31, 2013). The operation performed with Compass Transworld Logistics, S.A. has meant that the difference between the amount paid and the minority interests acquired, that come to €4.048 thousands, was registered as a debit to the heading "Equity – Other reserves" of the attached consolidated balance sheet at December 31, 2014.

Other corporate transactions

Year 2015

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

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

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

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

Year 2014

In 2014, the companies Especial Gear Transission, S.A. Unipersonal, Tranmisiones Eólicas de Galicia, S.A. y Gamesa Burgos, S.A. has been taken over through merger into the company Gamesa Energy Transmission, S.A., so there have been no changes in the Group's perimeter.

Likewise in 2014, the Company Valencia Power Converters, S.A. has been taken over through merger into the company Enertron S.L. and the company Wind Power Brasil S.L has been taken over through merger into de company Windar Renovables, S.L. Both cases have not caused any changes in the Gorup's perimeter.

In 2014, the denomination of the following companies mentioned has changed: Ger Baneasa S.R.L (formerly Ger Ludud, S.R.L.) and Parco Eolico Forleto Nuovo 2 S.r.l (formerly Parco Eolico Aria del Vento S.R.L.).

3

Accounting principles and policies and measurement methods applied

A Revenue recognition

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

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

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

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

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

B Stage of completion

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

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

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

In the case of the manufacture and assembly of WTGS for third parties outside the GAMESA Group, the stage of completion is measured by reference to economic criteria, calculating the proportion that contract costs incurred until the end of the reporting period bear to the estimated total contract costs to be incurred until contract completion. The percentage of completion method is used based on criteria/technical milestones (location of sites, issuance of permits and authorization to connect wind energy plants to the electrical grid), in the case of separate agreements for the development and sale of wind energy plants.

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

If the total estimated costs exceed the contract revenue, the related loss is recognised immediately in the consolidated income statement (Notes 3.Q and 23).

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

C Goodwill

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

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

D Other intangible assets

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

Internally generated intangible assets - Development expenditure

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

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

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

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

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

The amortisation of development expenditures begins when the projects are in the conditions necessary for them to be capable of operating in the manner initially intended by the GAMESA Group. The expenditure is amortised in general on a straight-line basis over the estimated period of time that the new product will generate economic benefits, being this period between 5 and 7 years.

Concessions, patents, licences, trademarks and similar

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

Software

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

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

E Property, plant and equipment

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

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

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

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

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

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

F Asset impairment

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

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

The recoverable amount is the higher of its value in use and its fair value less the costs to sell, which is taken to be the present value of the estimated future cash flows. In assessing value in use, the assumptions used in making the estimates include pre-tax discount rates, growth rates and

expected changes in selling prices and costs. The GAMESA Group estimates pre-tax discount rates which reflect the time value of money and the risks specific to the cash-generating unit. The growth rates and the changes in selling prices and costs are based on in-house and industry forecasts and experience and future expectations, respectively.

The discount rates used by the GAMESA Group are based on the weighted average cost of capital (WACC), which is 8.5% (9.2% in 2014), depending on the risks associated with each specific asset.

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

G Inventories

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

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

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

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

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

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

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

H Financial assets and liabilities

Financial investments

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

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

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

The financial assets included in this category are stated in the consolidated balance sheet at fair value, and the changes in fair value are recognised under “Finance Costs”, “Finance Income” and “Exchange Differences (Gains and Losses)”, as appropriate, in the consolidated income statement.

The GAMESA Group recognises in this category derivative financial instruments which, although they are effective as hedges in accordance with the GAMESA Group’s risk management policies, do not qualify for hedge accounting under IAS 39, Financial Instruments. At December 31, 2015 and 2014, the impact of these financial instruments on the accompanying Consolidated Financial Statements is not material (Note 22).

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

At December 31, 2015 and 2014, the GAMESA Group did not have any financial assets in this category.

- **Loans and receivables:** These are financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. The assets included in this category are also measured at “amortised cost” and are tested for impairment.
- **Available-for-sale financial assets:** These are financial assets not classified in any of the aforementioned three categories, nearly all of which relate to equity investments. These assets are presented in the consolidated balance sheet at fair value, which in the case of unlisted companies, is obtained using alternative methods, such as comparison with similar transactions or, if sufficient information is available, by discounting expected future cash flows. Changes in this market value are recognised with a charge or a credit to “Equity - Of the parent - Unrealised asset and liability revaluation reserve” in the consolidated balance sheet until these investments are disposed of, at which time the accumulated balance of this heading related to these investments is fully allocated to the consolidated income statement.

However, investments in the share capital of unlisted companies whose fair value cannot be measured reliably are measured at acquisition cost. This procedure was used for all the available-for-sale financial assets at December 31, 2015 and 2014 (Note 12).

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

Category of financial assets at fair value

Following is the analysis of the financial instruments which at December 31, 2015 and 2014 were measured at fair value subsequent to their initial recognition, classified in categories from 1 to 3, depending on the fair value measurement method:

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

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

Fair value at December 31, 2014				
Thousands of euros	Category 1	Category 2	Category 3	Total
Non-current financial assets				
Derivative financial instruments (Note 22)	-	1,864	-	1,864
Current Financial Assets				
Derivative financial instruments (Note 22)	-	8,963	-	8,963
Non-current liabilities				
Derivative financial instruments (Note 22)	-	(738)	-	(738)
Current liabilities				
Derivative financial instruments (Note 22)	-	(13,448)	-	(13,448)
Total	-	(3,359)	-	(3,359)

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

- The market value of derivatives listed on an organised market is their market price at year-end.
- Hedging and trading derivatives consist of forward exchange rate contracts, interest rate swaps and raw material swaps (electricity). These forward exchange rate contracts have been stated at fair value using the forward exchange rates listed on an active market. Interest-rate swaps are measured at fair value using forward interest rates extracted from observable yield curves. Raw material swaps are measured at fair value using the prices and interests from observable yield curves. The effects of discounting are generally not significant for level 2 derivatives.
- To measure derivatives not traded on an organised market, the GAMESA Group uses assumptions based on year-end market conditions. Specifically, the fair value of interest rate swaps is calculated by discounting at a market interest rate the difference between the swap rates, and the market value of foreign currency forward contracts is determined by discounting the estimated future cash flows using the forward rates existing at year-end; and the market value of raw material swap contracts are calculated by discounting the estimated cash flows, estimating the future prices at the year end.
- The Group's policy is to recognize transfers to or from the fair value hierarchy levels on the date of the event concerned or the date on which the circumstances that gave rise to the transfer change.
- There have been no transfers at any level during 2015.
- The measurement criteria for the derivatives at December 31, 2015 are those taken into consideration by IFRS 13, considering credit risk, including the one of GAMESA, over the fair value of certain financial instruments. Credit risk is the possibility of incurring a loss if the counter party to a transaction does not fully comply with its financial obligations agreed by contract in due time, form or amount. However, in general terms, it may also be defined as a decline in the value of assets due to the impairment of the counterparty's credit rating, even in the case where the counterparty fully complies with agreed payments. The impact due to the adjustment for credit risk made to the measurement of financial instruments depends on several factors.
 - A higher nominal amount implies a larger loss in the event of delinquency by one of the parties.
 - Longer-term means higher credit risk.
 - Counterparty credit ratings are the primary risk factor.
 - Guarantees are signed in order to reduce the exposure to counterparty credit risk.

The application of IFRS 13 to the measurement of derivatives at December 31, 2015 and 2014 did not give rise to any significant impact.

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

Impairment of financial assets

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

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

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

- financial difficulty of the issuer or significant counterparty;
- default or delay in interest or principal repayments; or
- likelihood that the borrower will go bankruptcy or a financial reorganisation process.

Cash and cash equivalents

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

Bank borrowings

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

Trade payables

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

Derivative financial instruments and hedge accounting (Note 22)

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

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

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

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

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

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

Financial liabilities and equity instruments

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

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

Disposal of financial instruments

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

The Group derecognises the collection rights assigned (“factorized”) and drawn down, since the rewards, rights and risks associated with these accounts receivable are contractually transferred to the factor, and, specifically, the factor assumes the related bad debt risk. The unmatured balances receivable arising from without-recourse factoring transactions at December 31, 2015 that were derecognised by the Group amounted to €120.5 million (€247.5 million at December 31, 2014). The average amount of factored receivables in 2015 was €175.5 million (€142.9 million in 2014).

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

I Non-current assets (or disposal groups of assets) classified as held-for-sale and discontinued operations

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

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

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

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

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

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

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

J Leases

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

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

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

K Segment reporting

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

L Transactions in foreign currency

Group companies

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

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

Transactions and balances

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

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

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

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

The detail of the equivalent euro value of the monetary assets and liabilities denominated in currencies other than the euro held by the GAMESA Group at December 31, 2015 and 2014 is as follows:

Currency	Equivalent value in thousands of euros			
	12.31.2015		12.31.2014	
	Assets	Liabilities	Assets	Liabilities
Pound Sterling	5,428	2,216	2,911	6,760
US Dollar	524,599	663,275	503,246	317,957
Japanese Yen	1,931	702	7,923	535
Egyptian Pound	25,649	14,969	18,296	-
Chinese Yuan	274,089	289,796	222,583	177,546
Polish Zloty	5,945	6,788	11,139	-
Indian Rupee	381,159	263,946	270,061	156,144
Brazilian Real	280,326	248,149	222,487	158,824
Moroccan Dirham	9,950	18,851	12,049	18,304
Romanian Lev	762	5,003	11,342	2,341
Mexican Peso	94,418	5,525	23,914	6,797
Other currencies	23,660	37,725	24,206	416
Total	1,627,916	1,556,945	1,330,157	845,624

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

Nature of the Balances	12.31.2015		12.31.2014	
	Assets	Liabilities	Assets	Liabilities
Trade receivables (Note 15)	934,781	-	683,675	-
Cash and other equivalent liquid assets (Note 16)	693,135	-	646,482	-
Payables	-	1,491,301	-	815,751
Bank borrowings (Note 21)	-	65,644	-	29,873
Total	1,627,916	1,556,945	1,330,157	845,624

M Government grants

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

Grants related to income are allocated to income in the year in which the related expenses are incurred. "Other operating income" in the consolidated income statements for 2015 and 2014 includes €664 and €214 thousands, respectively, in this connection (Note 29.A).

N Classification of current and non-current liabilities

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

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

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

O Income tax

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

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

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

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

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

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

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

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

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

P Parent Company treasury shares

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

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

Q Provisions

A distinction is drawn between:

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

The Group’s Consolidated Financial Statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled and whose amount can be measured reliably. Contingent liabilities are not recognised in the Consolidated Financial Statements but rather are disclosed, except for those which arise in business combinations (Notes 2.G and 23).

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

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

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

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

Court proceedings and/or claims in progress

At December 31, 2015 and 2014, certain litigation and claims were in progress against the consolidated companies arising from the ordinary course of their operations. The Group’s legal advisers and its Directors consider that the provisions recognised for this purpose are sufficient and that the outcome

of these proceedings and claims will not have an additional material effect on the Consolidated Financial Statements for the years in which they are settled (Note 23).

At December 31, 2015 and 2014, there were no significant contingent liabilities or provisions that had not been recognised or disclosed in these Consolidated Financial Statements.

R Termination benefits

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

S Share-based payment

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

Fair value is measured using the market prices available on the measurement date, taking into account the characteristics of the related plan. If market prices are not available, generally accepted valuation techniques for measuring financial instruments of this nature are used (Note 18.E).

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

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

T Consolidated cash flow statement

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

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

- **Cash flows:** Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- **Operating activities:** The principal revenue-producing activities of the GAMESA Group companies and other activities that are not investing or financing activities.
- **Investing activities:** The acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.

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

There have been no significant additional non-monetary transactions in 2015 and 2014.

U Earnings per share

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

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

Basic earnings per share in 2015 and 2014 coincided with diluted earnings per share, since there were no potential shares outstanding in those years (Note 35).

V Dividends

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

W Interest cost

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

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

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

4

Financial risk management policy

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

A Market risk (foreign currency risk)

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

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

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

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

For this purpose, the Group analyses the impact of the foreign currency risk on the basis of its firm order book, the forecasted portfolio and the planned transactions that are highly probable on the basis of contractual evidence. Risk exposure limits are established each year for a time horizon, which is in the range of 12-24 months, although a time horizon of less than one year is also considered which enables the Group, where necessary, to adapt to market trends, always associated with its net cash flows.

The Group's risk management policy is to cover up to a maximum of 85% of projected cash flows in each principal currency in the following period ranging 12 and 18 months. Periodically, new cash flow forecasts are updated in order to manage the adequate hedging strategy.

The main foreign currency balances at December 31, 2015 and 2014 are detailed in Note 3.L to the accompanying notes to the Consolidated Financial Statements.

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

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

Thousands of euros					
Debit / (Credit) (*)					
		Devaluation 5% of euro		Appreciation 5% of euro	
Currency	Exchange rate at 12.31.2015	Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
US Dollar	1.0887	(866)	(6,426)	783	5,814
Chinese Yuan	7.0608	(1,585)	(4,036)	1,434	3,652
Indian Rupee	72.0203	(2,903)	(9,390)	2,627	8,503
Brazilian Real	4.3117	(940)	(4,345)	851	3,931
Mexican Peso	18.7873	(556)	(2,316)	503	2,096

Thousands of euros					
Debit / (Credit) (*)					
		Devaluation 5% of euro		Appreciation 5% of euro	
Currency	Exchange rate at 12.31.2014	Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
US Dollar	1.2141	(4,938)	(3,783)	4,507	3,427
Chinese Yuan	7.5358	(1,354)	(5,857)	1,219	5,299
Indian Rupee	76.7165	(593)	(8,403)	532	7,602
Brazilian Real	3.2207	(1,912)	(5,018)	1,730	4,552
Mexican Peso	17.9183	(1,181)	(1,629)	1,068	1,473

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

B Market risk (price)

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

C Market risk (interest rate)

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

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

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

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

The debt structure at December 31, 2015 and 2014, drawing a distinction between fixed and floating rate borrowings (Note 21), is as follows:

Thousands of euros				
	2015		2014	
	Excluding hedges	Including hedges	Excluding hedges	Including hedges
Fixed Income	-	220,777	-	12,805
Variable Rate	547,801	327,024	619,894	607,089

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

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

Thousands of euros				
	Debit / (Credit) (*)			
	Variation in interest -0.25%		Variation in interest +0.25%	
	Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
Year 2015	(1,646)	(6)	1,646	6
Year 2014	(2,304)	(2)	2,304	2

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

D Liquidity risk

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

Also, in 2015 the GAMESA Group had an average of unused credit facilities equal to approximately 66.42% of the bank financing drawn down (60.77% in 2014).

E Credit risk

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

In addition, GAMESA Group's customer portfolio is mainly made up of large electric companies with high credit ratings. For customers with no credit rating and in the case of international sales to non-recurring customers, mechanisms such as irrevocable letters of credit and insurance policies are

used to ensure collection. Also, the financial solvency of customers is analysed and specific terms and conditions are included in contracts aimed at guaranteeing payment of the stipulated price.

The analysis of the age of financial assets outstanding for which no provision whatsoever has been deemed necessary at December 31, 2015 and December 31, 2014 is as follows:

Thousands of euros		
	2015	2014
90 - 180 days	18,784	18,439
More than 180 days	85,107	80,385
Total	103,891	98,824

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

The credit quality of cash and other cash equivalents at December 31, 2015 and 2014 is as follows:

Thousands of euros		
	2015	2014
A+	32,009	52,185
A	188,195	152,342
A-	114,197	94,666
AA-	7,506	5,592
BBB+	209,702	74,767
BBB	204,655	280,386
BBB-	50,074	121,502
BB+ or BB	60,647	19,332
BB- or inferior	2,348	10,257
Total	869,333	811,029

5

Estimates and sources of uncertainty

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

- GAMESA launched a new business plan 2015-2017 published on June 16, 2015 which includes measures that requires Management's estimation of the recoverable value of certain fixed assets and intangible assets, (Notes 9 and 10) and stocks (Note 14).

- The GAMESA Group recognises by reference to the stage of completion revenue from wind farm and WTGS sale contracts that meet the requirements established in this connection (Note 3.B). This requires that a reliable estimate must be made of the revenue from each contract and the total contract costs, as well as of the percentage of completion at year-end from technical and economic standpoints.
- As indicated in Note 3.D and 3.E, the GAMESA Group determines the estimated useful lives and the relevant depreciation/amortization charges for its intangible assets and property, plant and equipment. The Group will increase the depreciation/amortisation charge where useful lives are shorter than previously estimated, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.
- The GAMESA Group estimates the current provisions required for guarantees for possible repairs and start-up costs that the Group will have to incur in connection with sales of WTGSs (Notes 3.Q and 23).
- The GAMESA Group has made certain assumptions in order to calculate the liability arising from obligations to employees (Notes 3.R and 18.E) The fair value of those financial instruments granted as share-based payments that are not traded in an active market is determined by using measurement techniques. The Group uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. Changes in these assumptions would not have a significant impact on these Consolidated Financial Statements.
- The impairment tests require the estimation of the future evolution of the businesses and the most appropriate discount rate in each case. GAMESA Group believes that its estimates in this area are adequate and coherent with the current economic environment and they reflect its investment plans and the best estimates available regarding its future revenues and income, and it considers that its discount rates adequately reflect the risks relating to each cash generating unit.
- GAMESA analyses its accounts receivable and, on the basis of its best estimates, quantifies the amount thereof that could be uncollectible (Note 15).
- GAMESA Group estimates its contingent liabilities (Notes 3.Q and 23).
- The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognizes liabilities for potential tax claims based on an estimation of whether or not additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise (Note 27).
- The GAMESA Group recognises deferred tax assets, tax loss carryforwards and unused tax credits and tax relief only to the extent that their future realisation or utilisation is sufficiently assured (Note 25).
- As it is indicated in Note 36, in accordance with the Business Plan 2013-2015 and the new strategic orientation of wind energy plant development and sale, the assets and liabilities relating to the development activity in the United States are presented as disposal groups held for sale after the decision by Management to suspend the development and sale of wind farms in the United States.

Although these estimates were made on the basis of the best information available at December 31, 2015 and 2014 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

6

Application of results

The proposal for distribution of 2015 net profits of Gamesa Corporación Tecnológica, S.A. that the Board of Directors will present to shareholders at the General Meeting for approval, calculated in accordance with Spanish accounting legislation applicable to the Company's Individual Financial Statements, is as follows:

	Thousands of euros
Basis of distribution	
Profit for the year	76,883
Total	76,883
Distribution	
Voluntary reserves	34,322
Dividend	42,561
Total	76,883

7

Segment reporting

The reportable segments of the GAMESA Group are adapted to the operating configuration of the business units and to the financial and management information used by the executive boards of the Group being the following at December 31, 2015 and 2014:

- Wind Turbines (*)
- Operation and maintenance

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

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

A Information by business units

Revenue

The breakdown, by segment, of consolidated revenue for the years ended December 31, 2015 and 2014 is as follows:

Thousands of euros		
Segment	2015	2014
Wind Turbines	3,033,097	2,411,087
Operation and Maintenance	470,705	435,070
Net revenue from continued operations	3,503,802	2,846,157

Profit for the year

The breakdown, by segment, of the contribution to the profit after tax for the years ended December 31, 2015 and 2014 is as follows:

Thousands of euros		
Segment	2015	2014
Continuing Operations		
Wind Turbines	230,417	125,817
Operation and Maintenance	63,164	55,362
Capital gains and constitution of Adwen (Note 11)	29,164	-
Total Results Segment Operations	322,745	181,179
Unassigned results	(75,976)	(51,212)
Corporate income tax	(76,553)	(38,119)
Results for the year attributable to the Parent company	170,216	91,848

(*) This item includes financial results

B Geographical information

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

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

The most significant disclosures in this connection are as follows:

Revenue

The breakdown, by geographical segment, of revenue at December 31, 2015 and 2014 is as follows:

			2015	2014
Geographical area	Thousands of euros	%	Thousands of euros	%
Spain	312,137	8.9%	296,687	10.4%
Rest of Europe	428,417	12.2%	288,087	10.1%
United States	469,179	13.4%	380,871	13.4%
China	274,549	7.8%	126,046	4.4%
India	814,005	23.2%	477,627	16.8%
Brazil	620,045	17.7%	531,245	18.7%
Mexico	179,426	5.1%	359,708	12.6%
Rest of the world	406,044	11.7%	385,886	13.6%
Total	3,503,802	100%	2,846,157	100%

Total assets

The detail, by geographical segment, of the total assets at December 31, 2015 and 2014 is as follows:

			31.12.2015	31.12.2014
Geographical area	Thousands of euros	%	Thousands of euros	%
Spain	1,711,184	36.9%	1,843,676	43.4%
Rest of Europe	334,582	7.2%	282,570	6.6%
United States	539,153	11.6%	438,254	10.2%
China	409,490	8.8%	321,404	7.6%
India	716,370	15.4%	484,755	11.4%
Brazil	499,695	10.8%	423,214	10.0%
Mexico	219,289	4.7%	276,859	6.5%
Rest of the world	210,902	4.6%	181,118	4.3%
Total	4,640,665	100%	4,251,850	100%

Investment in assets

The detail, by geographical segment, of the investments in property, plant and equipment and other intangible assets at December 31, 2015 and 2014 is as follows:

Geographical area	12.31.2015		12.31.2014	
	Thousands of euros	%	Thousands of euros	%
Spain	76,453	45.5%	72,870	65.6%
Rest of Europe	4,512	2.7%	6,917	6.2%
United States	9,324	5.6%	11,290	10.2%
China	13,388	8%	4,253	3.8%
India	41,711	24.8%	5,033	4.6%
Brazil	18,061	10.8%	10,318	9.3%
Mexico	3,548	2.1%	358	0.3%
Rest of the world	861	0.5%	47	0.0%
Total	167,858	100%	111,086	100%

8

Goodwill

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

	Thousands of euros	
	12.31.2015	12.31.2014
"Wind Turbines" cash generating unit	266,862	266,862
"Operation and Maintenance" cash generating unit	121,548	119,894
Total	388,410	386,756

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

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

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

A Goodwill allocated to the “wind turbine” cash-generating unit

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

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

In order to calculate the value in use, the assumptions made include the discount rate based on the weighted average cost of capital (WACC), which reflects time value of money and the risks specific to each cash-generating unit, amounting 8.5%.

From a business standpoint, the following key assumptions were made in 2015:

- Growth in the MW sold (3,180 MW in 2015), in line with the Business Plan 2015-17 fundamentally due to the increase in overall demand, particularly in markets of emergent countries.
- Growth in operating margins (7.6% approximately of EBIT margin in 2015) in line with the Business Plan 2015-17 due to the increase in activity, the launch of new products, the optimization of variable costs and the reduction of fixed costs.
- Investment control in line with the Business Plan’s guides, and progressive improvement in line with the Business Plan 2015-17, of working capital over sales ratio, due to the aligning of the production to the portfolio entries and to the optimization of all the items composing the current assets (inventories, trade receivables, etc).

Based on the estimates and projections available to the Directors of GAMESA, the income forecasts attributable to each of the cash generating unit to which the aforementioned goodwill was allocated adequately support the amounts of goodwill recognised at December 31, 2015.

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

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

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

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

B Goodwill allocated to the “operations and maintenance” cash-generating unit

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

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

In order to calculate value in use, the assumptions made include the discount rates based on the weighted average cost of capital (WACC), include the factors involved in which the time value of money and the risks associated with the cash generating unit, which stand at 8.5%.

From a business standpoint, the following key assumptions were made in 2015:

- Growth in the MW maintained over the coming years in accordance with the Business Plan 2015-17.
- Increase in the EBIT margin above the wind turbine segment, in line with the Business Plan 2015-17 and in line with the improvement of 2015 (approximately 13.4% EBIT margin in 2015).

Based on the estimates and projections available to the Directors of GAMESA, the income forecasts attributable to each of the cash generating unit to which the aforementioned goodwill was allocated adequately support the amounts of goodwill recognised and, therefore, no problems regarding the recovery of the aforementioned goodwill were detected at December 31, 2015.

In addition, from a perspective of analysing sensitivity, at December 31, 2015 GAMESA Group applied sensitivity calculations to the results of this impairment test, recording the following reasonable changes in the key assumptions:

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

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

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

Therefore, in accordance with the estimates and projections available to the Group, the outlook for both the Wind Turbine and Operating and Maintenance cash generating units to which the goodwill is assigned adequately support the value of the goodwill recognised at December 31, 2015 and, as a result, there is no impairment whatsoever.

9

Other intangible assets

The changes in “Other Intangible Assets” in the consolidated balance sheet in 2015 and 2014 were as follows:

Thousands of euros	Development Costs	Concessions, patents, licenses, trademarks and similar	Computer software	Prepayments	Total
Cost					
Balance at 01.01.2014	483,001	27,128	76,544	1,711	588,384
Additions	49,766	-	3,745	2,181	55,692
Disposals	(1,166)	-	(73)	-	(1,239)
Exchange differences in foreign currency	2,330	575	283	-	3,188
Transfers	2,989	356	3,296	(3,239)	3,402
Balance at 12.31.2014	536,920	28,059	83,795	653	649,427
Additions	44,234	2,263	5,623	3,400	55,520
Disposals	(257,155)	-	(751)	-	(257,906)
Exchange differences in foreign currency	2,417	361	215	-	2,993
Transfers	-	-	2,909	(2,909)	-
Balance at 12.31.2015	326,416	30,683	91,791	1,144	450,034
Depreciation					
Balance at 01.01.2014	(181,833)	(21,747)	(52,178)	-	(255,758)
Charge for the year (Note 29.E)	(21,668)	(108)	(9,362)	-	(31,138)
Disposals	641	-	73	-	714
Exchange differences in foreign currency	(138)	(21)	(164)	-	(323)
Transfers	(511)	(190)	457	-	(244)
Balance at 31.12.2014	(203,509)	(22,066)	(61,174)	-	(286,749)
Charge for the year (Note 29.E)	(22,911)	(191)	(9,135)	-	(32,237)
Disposals	22,133	-	721	-	22,854
Exchange differences in foreign currency	(124)	(14)	(112)	-	(250)
Transfers	-	-	-	-	-
Balance at 12.31.2014	(204,411)	(22,271)	(69,700)	-	(296,382)
Impairment losses					
Balance at 01.01.2015	(125,531)	-	(35)	-	(125,566)
Impairment loss recognised in the year	-	-	-	-	-
Exchange differences in foreign currency	(2,065)	-	-	-	(20,065)
Transfers	385	(420)	35	-	-
Balance at 12.31.2014	(127,211)	(420)	-	-	(127,631)
Impairment loss recognised in the year	2,600	-	-	-	2,600
Exchange differences in foreign currency	(1,912)	-	-	-	(1,912)
Disposals and reversal of impairment losses corrections and other	109,266	-	-	-	109,266
Balance as at 12.31.2015	(17,257)	(420)	-	-	(17,677)
Total other intangible assets at 12.31.2014	206,200	5,573	22,621	653	235,047
Total other intangible assets at 12.31.2015	104,748	7,992	22,091	1,144	135,975

During 2015 and 2014, the main increase in “Development costs” is due to the development of the “WTC” division (mainly in the subsidiary Gamesa Innovation and Technology, S.L. Unipersonal), of new wind turbine models and optimization of the components performance for an amount of €42,058 thousands and €45,473 thousands, approximate and respectively.

The remaining capitalized development expenditure corresponds to improvements in technology fully in use, in accordance with the business plan 2015-2017.

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

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

Research and development expenses not capitalised during 2015 amounted €24 million (€26 million in 2014).

Fully depreciated intangible assets in use at December 31, 2015 and 2014 amounted approximately €247,720 thousands and €245,791 thousands, respectively.

At December 31, 2015, the GAMESA Group had intangible asset purchase commitments amounting to €2,151 thousands (€2,069 thousands in December 31, 2014).

10

Property, plant and equipment

The changes in “Property, Plant and Equipment” in the consolidated balance sheet in 2015 and 2014 were as follows:

Thousands of euros	Land and buildings	Technical facilities and machinery	Other property, plant and equipment	Property, plant and equipment under construction	Total
Cost					
Balance at 01.01.2014	277,647	347,663	420,568	14,764	1,060,642
Change in the consolidation scope (Note 2.G)	(67,148)	(988)	-	-	(68,136)
Additions	4,410	8,158	30,226	12,600	55,394
Disposals	(4,396)	(34,079)	(18,013)	(170)	(56,658)
Exchange differences in foreign currency	11,375	7,013	11,011	735	30,134
Transfers	(946)	6,353	(1,150)	(10,333)	(6,076)
Balance at 12.31.2014	220,942	334,120	442,642	17,596	1,015,300
Change in the consolidation scope (Note 2.G)	-	695	613	(74)	1,234
Additions	813	20,172	43,114	48,239	112,338
Disposals	(1,442)	(21,382)	(25,962)	(1,972)	(50,758)
Exchange differences in foreign currency	8,661	3,301	4,261	(1,554)	14,669
Transfers	8,004	2,631	32,559	(30,346)	12,848
Balance at 12.31.2015	236,978	339,537	497,227	31,889	1,105,631
Depreciation					
Balance at 01.01.2014	(70,536)	(176,437)	(270,542)	-	(517,515)
Change in the consolidation scope (Note 2.G)	15,324	988	-	-	16,312
Charge for the year (Note 29.E)	(10,419)	(20,794)	(29,604)	-	(60,817)
Disposals	2,222	23,158	11,678	-	37,058
Exchange differences in foreign currency	(2,936)	(3,963)	(6,833)	-	(13,732)
Transfers	-	-	705	-	705
Balance at 12.31.2014	(66,345)	(177,048)	(294,596)	-	(537,989)
Change in the consolidation Scope (Note 2.G)	-	(443)	(436)	-	(879)
Charge for the year (Note 29.E)	(8,486)	(21,290)	(34,040)	-	(63,816)
Disposals	1,440	6,892	11,187	-	19,519
Exchange differences in foreign currency	(2,405)	(1,240)	(4,118)	-	(7,763)
Transfers	2	2,880	(18,217)	-	(15,335)
Balance at 12.31.2015	(75,794)	(190,249)	(340,220)	-	(606,263)

Thousands of euros	Land and buildings	Technical facilities and machinery	Other property, plant and equipment	Property, plant and equipment under construction	Total
Impairment losses					
Balance at 01.01.2014	(27,915)	(63,036)	(74,484)	-	(165,435)
Change in the consolidation scope (Note 2.G)	9,192	-	-	-	9,192
Application recognized in the year	(1,283)	(954)	-	-	(2,237)
Impairment loss recognised in the year	(1,728)	-	3,530	-	1,802
Disposals	468	11,718	5,405	-	17,591
Exchange differences in foreign currency	(476)	-	(4,211)	-	(4,687)
Balance at 12.31.2014	(21,742)	(52,272)	(69,760)	-	(143,774)
Change in the consolidation scope (Note 2.G)	(30)	-	-	-	(30)
Application recognized in the year	-	-	-	-	-
Impairment loss recognised in the year	(2,936)	-	659	-	(2,277)
Disposals	-	7,227	85	-	7,312
Exchange differences in foreign currency	(547)	-	(3,219)	-	(3,766)
Transfers	6,114	(6,112)	2,336	-	2,338
Balance at 12.31.2015	(19,141)	(51,157)	(69,899)	-	(140,197)
Total Assets at 12.31.2014	132,855	104,800	78,286	17,596	333,537
Total Assets at 12.31.2015	142,043	98,131	87,108	31,889	359,171

A Investments for the financial year

The main additions in 2015 are related mainly to three new production lines of blades G114 in India, as well as the purchase of molds associated to blades G114 among the different productive plants. The main additions of 2014 correspond mainly to the nacelle assembly plant in Brazil and with the purchase of molds associated with the launch of new blade models G114 and G132.

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

The provisions at December 31, 2015 and 2014 are basically related to the amount provisioned in previous years referred to impairments derived from:

- installations, molds and tools affected by the introduction of new processes and application of other technologies, mainly in blade plants
- closure of industrial plants capacity adjustments
- low return on assets in use- wind farms in Spain

B Leasing contracts

At December 31, 2015 and 2014, GAMESA has no financial leases.

C Totally depreciated assets

The amounts of operating tangible assets fully depreciated at December 31, 2015 and 2014 amounted €355,601 thousands and €302,899 thousands, respectively. At December 31, 2015 and 2014, most of them correspond to molds and tools for the manufacture of wind turbines.

D Commitments for the acquisition of assets

At December 31, 2015 the GAMESA Group companies had plant and equipment purchase commitments amounting €29,263 thousands (€8,171 thousands in 2014) approximately, related mainly to production facilities and new developments of wind facilities and its components.

E Insurance coverage

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

Investments carried under the equity method

The breakdown of the investments in associates of the GAMESA Group at December 31, 2015 and 2014 is as follows:

Thousands of euros			
Company	Shareholding %	12.31.2015	12.31.2014
Adwen Offshore, S.L. (Note 2.G)	50%	74,064	-
Windar Renovables, S.L. (Note 32)	32%	41,468	41,207
9Ren España, S.L.	49%	6,624	14,651
Others	-	4,870	345
Total		127,026	56,203

The changes in 2015 and 2014 in this heading in the consolidated balance sheet were as follows:

Thousands of euros		
	2015	2014
Beginning Balance	56,203	60,037
Changes in consolidation scope (Note 2.G)	100,000	(30)
Profit for the year	(24,988)	(667)
Others	(4,189)	(3,137)
Ending Balance	127,026	56,203

The heading "Changes in the consolidation scope" includes:

Year 2015

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

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

In compensation, the GAMESA Group registered an investment in its consolidated balance by the equity method for the fair value of the stake of the business for an amount of €100,000 thousands

and a debit balance of €95,000 thousands recorded in the section “Other non-current financial assets, associated companies”, that accrued an interest of Euribor plus 2% with maturity until 2024 and delivering to a net tax (€8,166 thousands) capital gain of €20,998 thousands. The gross amount of the capital gain once the costs related to the operation are discounted, has decreased to €29,164 thousands and was registered in “Profit/loss on disposal of non-current assets and impairment of assets” of accompanying consolidated income statement at December 31, 2015.

Within the partners’ agreement for the joint management of the business, both GAMESA and AREVA maintain certain commitments related to the transmission of stakes and the obtaining of external financing. Additionally, the GAMESA Group has given several guarantees required by the activity of the JV that amount €304 million at December 31, 2015 as well as other guarantees for the financing consecution for an amount of €68.4 million. The GAMESA Group does not maintain with the JV other commitments or contingencies different to the ones mentioned above.

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

Year 2014

In 2014, the disposal of WorldWater & Solar Technologies, Inc. (Note 2.G) was made. As it was impaired, it had no impact on the Consolidated Annual Accounts at December 31, 2014.

The breakdown of consolidated assets, liabilities, revenues and expenses of companies recognised using the equity method at December 31, 2015 and 2014 is as follows:

Financial information related to joint ventures

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

		Thousands of euros
Year 2015	Adwen Offshore, S.L. and subsidiaries	
Total non-current assets		483,496
Total current assets		473,305
Total assets		956,801
Total equity		148,128
Total non-current liabilities		571,256
Total current liabilities		237,417
Total liabilities and equity		956,801

		Thousands of euros
Year 2015	Adwen Offshore, S.L. y sociedades dependientes	
Income from ordinary activities		37,599
Depreciation and amortization		(10,699)
Interest income		285
Interest expenses		(5,846)
Expenditure / income on the income tax		(333)
Net profit from continuing operations		(52,065)
Other overall result		-
Total global result		(52,065)
Other Information		
Cash and cash equivalents		90,409
Current financial liabilities (*)		(147,038)
Non-current financial liabilities (*)		(381,125)

(*) Excluding commercial creditors and other accounts payable. €57 million of these amounts correspond to long term bank borrowings. The rest corresponds to loans received by both partners, of which €97 million have been contributed by the GAMESA Group.

Financial information related to associated companies

Financial information summarized at December 31, 2015 and 2014 (at 100% and before the intercompany eliminations) related to the most significant associated companies registered by equity method is as follows:

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

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

Thousands of euros		
Year 2014	Windar Renovables, S.L. y sociedades dep.	9Ren España, S.L.
Total non-current assets	56,707	9,626
Total current assets	89,406	41,933
Total active	146,113	51,559
Total equity	63,467	35,348
Total non-current liabilities	11,333	1,325
Total current liabilities	71,313	14,886
Total equity and liabilities	146,113	51,559

Thousands of euros		
Year 2014	Windar Renovables, S.L. y sociedades dep.	9Ren España, S.L.
Income from ordinary activities	146,478	2,980
The net result of the period of continuing operations	6,719	(5,468)
After-tax result of interrupted activities	-	-
Another overall result	-	-
Total global result	6,719	(5,468)

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

During 2014, dividends from these companies were not received.

Furthermore, 9Ren España, S.L. has obtained a negative profit of €0.6 million in 2015, in line with the estimated Business Plan and without changes in the future estimations. Consequently, the fair value analysis was not modified. That fair value has been estimated based on estimated future cash flows for the following years that were considered in the new updated business plan

and considering a period of 5 years, with a growth interest of 1.5% and a discount interest based on WACC that is expected on 11%. From a business perspective, the following hypotheses have been considered in 2015:

- Increase of the maintained MW in the renewable sector during the following years reaching a target level in 2018, mainly due to the expansion to the power maintenance market from 2016.
- Increase of the EBIT margin reaching a target level of approximately 8% in 2018 mainly due to the improvement of structural and variable costs.

On the other hand, on October 7, 2010, GAMESA acquired 1,802,140 shares of the North American company Worldwater & Solar Technologies, Inc., which corresponded to the 25.67% of the total share capital, for an amount of €2,243 thousands. As it is mentioned in Note 2.G, this company was sold in 2014 without significant impact to the GAMESA Group.

12

Financial instruments by category

A Composition and breakdown of financial assets

The breakdown of the GAMESA Group financial assets at December 31, 2015 and 2014, presented by nature and category for measurement purposes:

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

Thousands of euros

Year 2014						
Financial assets Nature / Category	Other financial assets at fair value through changes in P&L	Held-for-sale financial assets (Note 13)	Loans and Receivables	Held-to- maturity investments	Hedge derivatives (Note 22)	Total
Derivatives (Note 22)	-	-	-	-	1,864	1,864
Other financial assets (Note 13)	-	35,683	3,158	-	-	38,841
Long term / non-current	-	35,683	3,158	-	1,864	40,705
Derivatives	-	-	-	-	8,963	8,963
Other financial assets	-	-	21,149	-	-	21,149
Trade receivables and other	-	-	1,164,635	-	-	1,164,635
Short Term / currents	-	-	1,185,784	-	8,963	1,194,747
Total	-	35,683	1,188,942	-	10,827	1,235,452

B Composition and breakdown of financial liabilities

The breakdown of the Group's financial liabilities at December 31, 2015 and 2014, presented by nature and category for measurement purposes:

Thousands of euros

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

Thousands of euros				
Year 2014				
Financial liabilities Nature / Category	Other financial liabilities to FV with changes in results	Debits and Payables	Derivatives (Note 22)	Total
Bank borrowings	-	527,311	-	527,311
Derivatives	-	-	738	738
Other financial liabilities	-	53,629	-	53,629
Long-term debts / Non-current financial liabilities	-	580,940	738	581,678
Bank borrowings	-	92,583	-	92,583
Derivatives	-	-	13,448	13,448
Other financial liabilities	-	61,267	-	61,267
Trade and other payables	-	1,686,719	-	1,686,719
Short-term debts / Current financial liabilities	-	1,840,569	13,448	1,854,017
Total	-	2,421,509	14,186	2,435,695

13

Non-current financial assets

The changes in “Other intangible assets” in the attached consolidated balance sheet of 2015 and 2014 were as follows:

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

Thousands of euros

Year 2014	Balance at 12.31.2013	Additions	Exchange differences in foreign currency	Disposals	Transfers	Changes in scope	Balance at 12.31.2014
Derivatives (Notes 12 and 22)	186	1,864	-	(186)	-	-	1,864
Securities portfolio (Note 12)	38,774	2,515	1,495	(7,101)	-	-	35,683
Other non-current financial assets (Note 12)	2,777	734	71	(394)	-	(30)	3,158
Total	41,737	5,113	1,566	(7,681)	-	(30)	40,705

A Investment securities

The detail of the cost of acquisition of the most representative long-term investment securities at December 31, 2015 and 2014 is as follows:

	Thousands of euros		% of Shareholding 12.31.2015	% of Shareholding 12.31.2014
	12.31.2015	12.31.2014		
Jianping Shiyinzi Wind Power Co. Ltd.	4,437	4,437	25%	25%
Wendeng Zhangjiachan Wind Power Co. Ltd.	7,651	7,651	39%	39%
Neimenggu Huadian Meiguiling Wind Power Co. Ltd.	11,870	11,122	25%	25%
CGN Changgao Wind Power Co, Ltd	4,318	4,318	25%	25%
Cheng Dingshan	5,770	5,406	25%	25%
Others	2,377	2,749	Several	Several
Total	36,423	35,683		

In 2015 and prior years the GAMESA Group invested in the share capital of various chinese companies (wind farms), in general holding ownership interests of 25% to 40% (Note 2.G). Despite holding ownership interests of more than 20%, GAMESA's directors consider that significant influence does not exist at these companies since there is no power to participate in decisions regarding the financial and operating policies of these companies. In general, GAMESA Group participates in the capital of these companies with the sole objective of favouring the granting of the relevant permits for the development of the plants and the construction and sale of wind turbines for those plants. All agreements regarding the acquisition of shareholdings by the Group include a put option for GAMESA with a price based on an evaluation of the net assets relating to the shareholding to be transferred (theoretical book value), prepared by an expert qualified auditor chosen by mutual agreement among the parties and authorized by the relevant governmental agencies. These investments are stated at their acquisition cost.

During 2015, several dividends were received from these stakes for an amount of €3,640 thousands that were registered in "Financial Income" of the accompanying income statement of 2015.

During the year 2014, the company proceeded to conduct the sale of the stake in three of the mentioned Chinese companies amounting €10,416 thousands, and obtaining a performance of €3,315 thousands, registered in the heading "Finance income" in the 2014 income statement attached.

B Other non-current financial assets

The detail of “Other non-current financial assets” in the consolidated balance sheets at December 31, 2015 and 2014 of the GAMESA Group is as follows:

	Thousands of euros		Interest Rate	Maturity
	12.31.2015	12.31.2014		
Deposits and guarantees provided long term (Note 29.D)	3,366	3,140	Euribor + margin	2017-2018
Other long-term loans	18	18	Euribor + margin	2017
Total	3,384	3,158		

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

14

Inventories

The composition of this heading at December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	12.31.2015	12.31.2014
Raw and auxiliary materials	427,260	330,240
Work in progress and finished goods	328,751	241,962
Prepayments to suppliers	142,202	74,589
Inventory write-downs	(94,954)	(82,299)
Total	803,259	564,492

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

	Thousands of euros	
	2015	2014
January 1	82,299	95,016
Impairment/(Reversal) during the year (Note 29.E)	19,476	(7,978)
Provisions used for their intended purpose	(6,821)	(4,739)
At December 31	94,954	82,299

Movements in the provision for impairment of inventories in 2015 correspond mainly to the provision of certain promotions. Apart from this, the reversal of the impairment of 2014 corresponds to the reversion of the impairment of the spare parts associated to the operation and maintenance activity, since higher activity volume was registered.

Provisions currently accounted in this heading at December 31, 2015 and 2014 basically refer to the amount accrued in prior years because of the effect of changes in technologies.

At December 31, 2015 and 2014, there were no inventories provided to secure the payment of debts or in relation to any other obligations to third parties.

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Trade and other receivables

The detail of “Trade and other receivables” in the consolidated balance sheets at December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	12.31.2015	12.31.2014
Trade and other receivables	564,494	568,071
Construction contract receivables (Notes 3.B and 17)	451,990	507,719
Impairment due to uncollectible receivables	(27,646)	(23,193)
Total	988,838	1,052,597

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

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

The carrying value of the receivables and other receivables in foreign currency at December 31, 2015 and 2014 is as follows:

	Equivalent value in thousands of euros	
Currency	31.12.2015	31.12.2014
Moroccan Dirham	937	7,761
US Dollar	289,265	181,114
Egyptian Pound	18,976	13,067
Chinese Yuan	136,709	106,919
Polish Zloty	2,463	176
Indian Rupee	295,356	214,583
Brazilian Real	151,969	128,386
Mexican Peso	35,200	17,574
Other currencies	3,906	14,095
Total	934,781	683,675

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

	Thousands of euros	
	2015	2014
January 1	23,193	15,500
Reversal of unused amounts	1,924	14,741
Accounts receivable removed for uncollectible	(948)	(9,856)
Transfers	3,324	2,507
Exchange differences	153	301
At December 31	27,646	23,193

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Cash and other cash equivalents

The breakdown of “Cash and cash equivalents” in the accompanying consolidated balance sheets at December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	12.31.2015	12.31.2014
Cash in euros	146,198	149,803
Cash in foreign currency (Note 3.L)	355,040	429,497
Liquid assets in less than three months	368,095	231,729
Total	869,333	811,029

“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 the balances.

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

The amount of revenue (revenue recognition resulting from sale stage of completion) on the firm WTGS and wind farm sales contracts which at December 31, met the requirements indicated in Note 3.B for the application of the percentage of stage of completion method in 2015 and 2014 amounted €188,169 thousands and €167,504 thousands, respectively, and are recognised under the heading "Revenue" in the consolidated income statements of 2015 and 2014. For contracts in progress at December 31, 2015, the accumulated amounts of costs incurred and revenues recognised until that date amounted €1,700,415 thousands (€1,775,149 thousands for the contracts in progress at December 31, 2014).

Accounts receivable from contractual customers for sales recognised by the stage of completion included under "Trade and other receivables", net of the prepayments received at December 31, 2015, amounted €451,990 thousands (€507,719 thousands at December 31, 2014) (Note 15). No contractual customers' receivables, net of prepayments, are recorded in discontinued operations (Note 36) due to sales recognised by the stage of completion at December 31, 2014 and 2015.

Accounts receivable from contract customers for sales recognised by reference to the stage of completion included under "Trade receivables from related companies", net of the advances received (Note 32) at December 31, 2015, amounted to €31,670 thousands (€54,816 thousands at December 31, 2014).

18**Equity of the Parent Company****A Share capital**

The Share capital of Gamesa Corporación Tecnológica, S.A. at December 31, 2015 and 2014 amounts to €47,476 thousands being composed of 279,268,787 ordinary shares of €0.17 of nominal value each, represented by means of annotations into account, fully subscribed and disbursed.

In September 2014 the company approved a capital increase through the issuance of 25,388,070 actions of €0.17 of nominal value each, with a share premium of €9.13 per action. Therefore, the total amount of the capital increase amounted to €236,109 thousands. The capital increase was fully subscribed and paid in. The premium, as required by law, was fully paid at the time of subscription. The costs of the capital increase, amounting €3,592 thousands, were recorded as a reduction of reserves after deducting the tax effect of €1,006 thousands.

According to information of the company, the shareholder structure of GAMESA at December 31, 2015 and 2014 was as follows:

	% Shareholding 12.31.2015	% Shareholding 12.31.2014
Iberdrola, S.A.	19.69%	19.69%
Blackrock Inc. (****)	3.17%	3.21%
Norges Bank (***)	-	3.02%
Dimensional Fund Advisors LP (**)	-	2.68%
Fidelity International Limited (*****)	1.10%	-
Others (*)	76.04%	71.40%
Total	100.00%	100.00%

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

(**) According to the records of the National Securities Market Commission the Company DIMENSIONAL FUND ADVISORS LIMITED held at December 31, 2014 a shareholding stake exceeding 3% of the share capital of Gamesa Corporación Tecnológica, S.A. and is therefore a significant shareholder.

(***) According to the records of the National Securities Market Commission the company Norges Bank held at December 31, 2014 a stake exceeding 3% of Gamesa Corporación Tecnológica, S.A. is therefore a significant shareholder. However, at December 29, 2015 Norges Bank has communicated to the National Securities Market Commission that its stake decreased from 3% on December 22, 2015, becoming a not significant shareholder since that date.

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

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

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

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

At December 31, 2015, the GAMESA Group was within the parameters set by management for the purpose of managing this risk, as the ratio of debt (net of cash) to equity attributable to the Parent company was -19.24% (-9.90% in December 31, 2014),

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

	Thousands of euros	
	12.31.2015	12.31.2014
Non-current liabilities		
Bank borrowings and other non-current liabilities (Notes 21 and 24)	475,689	570,927
Current liabilities		
Bank borrowings and other current liabilities (Notes 21 and 24)	108,960	99,561
Total bank borrowings	584,649	670,488
Total derivative financial instruments	(9,112)	3,359
Cash and other cash equivalents (Note 16)	(869,333)	(811,029)
Bank borrowings net of cash	(293,796)	(137,182)
Total Equity of the Parent Company	1,526,908	1,385,320
Proportion of debt (net of cash) and equity attributable to the Parent company	(19.24%)	(9.90%)

B Share premium

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

C Unrealised asset and liability revaluation reserve

The changes in this reserve in 2015 and 2014 were as follows:

	Thousands of euros						
	12.31.2013	Change in fair value	Taken to profit and loss	12.31.2014	Change in fair value	Taken to profit and loss	12.31.2015
Cash-flow hedges							
Interest rate swaps (Note 22)	(2,580)	65	1,857	(658)	(2,139)	672	(2,125)
Securities of electricity prices	-	-	-	-	9	-	9
Currency forwards (Note 22)	2,999	(782)	1,083	3,300	11,389	(1,188)	13,501
	419	(717)	2,940	2,642	9,259	(516)	11,385
Deferred taxes due to the remeasurement of unrealised assets and liabilities (Note 25)	(231)	245	(894)	(880)	(3,000)	170	(3,710)
Total	188	(472)	2,046	1,762	6,259	(346)	7,675

D Other reserves

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

	Thousands of euros	
	31.12.2015	31.12.2014
Restricted reserves		
Legal reserve	9,494	8,632
Reserve for redenomination of capital in euros	1	1
Reserve for treasury shares	46,244	24,873
	55,739	33,506
Voluntary reserves	380,156	352,620
Reserves attributable to the consolidated companies	541,026	497,992
Reserves for companies consolidated using the equity method (Note 11)	(56,218)	(31,230)
Reserves of fully consolidated companies	597,244	529,222
Total reserves	976,921	884,118

Legal reserve

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

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other reserves are not available for this purpose. At the end of 2015 the legal reserve is fully constituted.

E Treasury shares

The detail of the total number of treasury shares as well as the ones of the heading “Equity - Of the parent - treasury shares”, as a result of the transactions performed in 2015 and 2014, is as follows:

	Number of Shares	Thousands of euros
Balance at January 1, 2014	3,071,587	(21,340)
Acquisitions	38,166,378	(318,875)
Disposals	(38,083,747)	315,342
Balance at December 31, 2014	3,154,218	(24,873)
Acquisitions	32,771,429	(421,014)
Disposals	(32,808,945)	399,643
Balance at December 31, 2015	3,116,702	(46,244)

The nominal value of the treasury shares acquired directly or indirectly by GAMESA, together with those already held by GAMESA and its subsidiaries does not exceed 10% of share capital in 2015 or 2014.

On October 30, 2012 Gamesa Corporación Tecnológica, S.A, concluded a liquidity agreement with Santander Investment Bolsa, which was reported to the National Securities Market Commission on a Relevant Event of October 31, 2012. Within the framework of the aforementioned contract, in 2015 GAMESA acquired 32,771,429 treasury shares at an average price of 12.85 euros and sold 32,808,945 treasury shares at an average price of 12.18 euros. The difference between the cost price and the selling price amounting €120 thousands was recorded in "Voluntary reserves".

During the year 2014, Gamesa acquired 38,166,378 shares at an average price of 8.36 euros and sold 38,083,747 shares at an average price of 8.28 euros. The difference between the cost price and the selling price, amounting to €1,653 thousands, was recorded in "Voluntary Reserves".

2013-2015 Incentive Plan

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

The Plan cannot exceed a total of 3,000,000 shares, at maximum, and all of the shares to be delivered through the execution of the Plan will originate from the Company's own portfolio. The Plan includes an estimate of the payment of cash bonuses amounting a maximum of €18 million in the event that 100% of the targets are met. This plan is aimed at individuals who, due to their level of responsibility or their position at GAMESA, contribute decisively to the achievement of the Company's objectives. The Plan has 75 beneficiaries (77 beneficiaries in 2014), notwithstanding the possibility that new hires or, due to transfers or changes in professional levels, others will become new beneficiaries during the period taken into consideration, with respect to the maximum authorized share limit.

The company must recognize services when they are received, GAMESA recorded the rendering of services to the beneficiaries relating to the incentive payable in shares as personnel expenses on an accruals basis, apportioning the estimate of the fair value of the equity instruments assigned over the term of the plan (between January 1, 2013 and December 31, 2015), which gave rise to a charge amounting €1,639 thousands under "Personnel expenses" in the accompanying consolidated income statement for 2015, crediting the heading "Other reserves" under equity in the accompanying consolidated balance sheet at December 31, 2015 (€2,729 thousands in 2014).

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

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

In addition and with respect to the cash incentive, GAMESA has recognised the rendering of services relating to this incentive as a personnel expense on an accruals basis, crediting €4,850 thousands (€5,295 thousands in 2014) to the heading “Other non-current liabilities” and “Other current liabilities” under non-current liabilities in the accompanying consolidated balance sheet at December 31, 2015, 100% of the targets associated with this incentive are assumed to have been met (85% in 2014).

19

Minority shareholdings

The detail of “Equity - Of non-controlling interests” on the liability side of the accompanying consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

	Thousands of euros
Balance at January 1, 2014	4,924
Profit for the year	(679)
Changes in the consolidation scope (Note 2.G)	(4,048)
Other movements	(104)
Balance at December 31, 2014	93
Profit for the year	(342)
Changes in the consolidation scope (Note 2.G)	-
Other movements	545
Balance at December 31, 2015	296

The minority shareholdings over the assets, liabilities, income and cash flows of the Consolidated Financial Statements of the GAMESA Group are not relevant at December 31, 2015 and 2014.

20

Differences on exchange

The GAMESA Group decided in previous year to capitalise monetary balances with foreign subsidiaries in order to maintain the financing necessary to grow those business within the framework of the approved business plans, or re-establish their financial position, if necessary. As a result of this decision, the Group classified these balances, up to their capitalization, as permanent net foreign investments and therefore the differences on exchange generated by these balances between the decision date and the formal debt capitalisation date, or December 31, 2015 if formal capitalisation had not been completed, have been recognised by charging or crediting, as appropriate, the heading “Exchange differences” under consolidated equity (Note 3.L), being its amount at December 31, 2015 €12,149 thousands (negative) of which €10,340 thousands correspond to Brazilian reals and €1,809 thousands to indian rupees (€1,322 thousands at December 31, 2014, negative, all of them corresponding to indian rupees).

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Borrowings

Bank borrowings in the accompanying consolidated balance sheet at December 31, 2015 and 2014 as well as the maturity dates, are as follows:

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

Debts at December 31, 2014 maturing at								
	Carrying Value	Short Term	Non-current					
	Balance at 12.31.2014	2015	2016	2017	2018	2019	2020 and subsequent	Total Non-current
Accrued interest not paid	1,681	1,681	-	-	-	-	-	-
Loans	587,351	60,040	7,538	47,870	162,300	269,603	40,000	527,311
Payables for loan draw downs	36	36	-	-	-	-	-	-
Payables for discounted bills	953	953	-	-	-	-	-	-
Loans in euros	590,021	62,710	7,538	47,870	162,300	269,603	40,000	527,311
US Dollar	1,889	1,889	-	-	-	-	-	-
Indian Rupee	22,576	22,576	-	-	-	-	-	-
Others	5,408	5,408	-	-	-	-	-	-
Loans and credits facilities denominated in foreign currency (Note 3.L)	29,873	29,873	-	-	-	-	-	-
Total	619,894	92,583	7,538	47,870	162,300	269,603	40,000	527,311

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

On December 16, 2004, Gamesa Corporación Tecnológica, S.A. obtained a loan from the European Investment Bank for the project called Gamesa Wind Power RDI. These loans will be drawn down in two tranches: €150,000 thousands and €80,000 thousands, respectively. On December 20, 2005, Gamesa Eólica, S.L. Unipersonal (indirectly wholly owned by Gamesa Corporación Tecnológica, S.A.) subrogated to the contractual position of Gamesa Corporación Tecnológica, S.A. This loan was amortised in advance at December 15, 2014.

On December 19, 2008, Gamesa Eólica, S.L. Unipersonal entered into a financing agreement with the European Investment Bank for a maximum of €200 million, divided into two parts, €140 million and €60 million, respectively. The terms of this credit set maturity in 2018, 2019 and 2020 and an interest rate indexed to Euribor plus a market spread. These credits were fully disposed at December 31, 2014. On March 31, 2015, Gamesa Eólica, S.L. Unipersonal partially and in advance amortised €40 million of this loan, so being the rest of the loan disposed at December 31, 2015 amounting €160 million.

On November 29, 2012, Gamesa Eólica, S.L. Unipersonal obtained a €260,000 thousands loan from the European Investment Bank to finance innovation, research and development projects relating to the processes of improving existing wind turbines, and the development of new products. The conditions of this loan establish its maturity date in 2019 and it accrues an interest rate referenced to the euribor rate plus a market spread. These credits are fully disposed at December 31, 2014 and 2015.

At June 3, 2014, GAMESA signed a novation of a syndicated credit line contract ("revolving") amounting €350 million maturing in June 2018. The terms of the credit line establish an interest rate indexed to Euribor plus a market spread. At December 11, 2014, GAMESA signed a novation of this syndicated credit line, increasing the limit to €750 million maturing in December 2019, from which no amount was disposed at December 31, 2014. This new loan and its novation have transferred to income statement the accrued formalization costs of the previous syndicated loan which amounted 3.6 million euros. Additionally, on December 17, 2015, GAMESA signed a new novation of that credit line, maintaining the limit amount on €750 million and extending its maturity to 2021. At December 31, 2015 GAMESA did not disposed any amount.

At December 31, 2015, the GAMESA Group companies had been granted loans and undrawn credit facilities that accounted for 66.42% (60.77% at December 31, 2014) of the total financing granted to it, which mature between 2016 and 2026 and which bear weighted average interest at Euribor plus a market spread. The loans outstanding at December 31, 2015 and 2014 bore annual weighted average interest at approximately 2.56% and 2.68%, respectively, at that date.

At December 31, 2015 the companies of the Consolidated Group had disposed loan agreements amounting €425 million (€460 million in 2014), with certain obligations, as the compliance with financial ratios throughout the life of the agreement relating the capacity to generate resources in the operations with the debt level and financial duties. Also, there are established certain limits on the arrangement of additional borrowings and the distribution of dividends, as well as other additional conditions. Not meeting these contractual conditions would enable the banks to demand early repayment of the related amounts. At December 31, 2015, the established financial ratios are met and the Group estimates that will be also met in the future.

At December 31, 2015 and 2014, the GAMESA Group did not have any bank borrowings tied to fixed interest rates, except for the hedges described in Note 22.

The fair value, taking into consideration the counterparty credit risk, of bank borrowings at December 31, 2015 and 2014 is similar to the carrying value since the debt is subject to variable interest rates and accrued market spreads (Note 3.H).

The sensitivity of the market value of bank borrowings based on the position to interest rate changes at December 31, 2015 and 2014 is as follows:

Thousands of euros				
Interest rate change				
	2015		2014	
	+0.25%	-0.25%	+0.25%	-0.25%
Change in the value of the debt	1,560	(1,560)	2,129	(2,129)

The sensitivity of the market value of foreign currency bank borrowings based on the position to exchange rate and interest rate changes at December 31, 2015 and 2014 is as follows:

Thousands of euros								
	2015				2014			
	Change in the interest rate		Change in Exchange rate (EUR/foreign currency)		Change in the interest rate		Change in Exchange rate (EUR/foreign currency)	
Change in the value of the debt	+0.25%	-0.25%	+5%	-5%	+0.25%	-0.25%	+ 5%	- 5%
US Dollar	18	(18)	1,521	(1,681)	4	(4)	90	(99)
Chinese Yuan	1	(1)	764	(844)	-	-	-	-
Brazilian Real	28	(28)	263	(291)	-	-	-	-
Swedish Krona	4	(4)	247	(273)	4	(4)	258	(285)
Indian Rupee	36	(36)	331	(365)	156	(156)	1,075	(1,188)

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

Derivative financial instruments

The GAMESA Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly foreign currency and interest rate risk. The detail of the balances that represent the revaluation of derivatives in the consolidated balance sheets at December 31, 2015 and 2014 is as follows:

Thousands of euros 12.31.2015				
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
Interest rate hedges				
Cash-flow hedges				
Interest rate swaps	-	60	223	2,247
Electric prices hedges				
Cash-flow hedges	-	-	9	-
Foreign currency hedges				
Cash/flow hedges				
Exchange insurance	9,362	1,608	7,352	1,622
Fair value hedge				
Exchange insurance	300	2,597	-	-
Total	9,662	4,265	7,584	3,869

Thousands of euros 12.31.2014				
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
Interest rate hedges				
Cash-flow hedges				
Interest rate swaps	-	112	-	547
Foreign currency hedges				
Cash-flow hedges				
Exchange insurance	7,171	4,766	1,087	191
Fair value hedge				
Exchange insurance	1,792	8,570	777	-
Total	8,963	13,448	1,864	738

In 2015, to offset the effect on the consolidated income statement of hedging transactions, the GAMESA Group recognised an expense of €672 thousands (€1,857 thousands in 2014) under “Finance costs” in the consolidated income statement of 2015 (Note 29.G), and in the heading “Exchange differences” of the consolidated income statement for the 2015 an expense of €1,188 thousands (€1,083 thousands in 2014), accounted under the heading “Equity - Of the parent - unrealised asset and liability revaluation reserve” (Note 18.C), under which they had previously been classified.

GAMESA Group uses derivatives as foreign currency hedges to mitigate the possible volatility effect of exchange rate fluctuations on future cash flows from transactions and loans in currencies other than the functional currency of the company concerned. In addition, GAMESA Group designates hedges for the exchange rate risk deriving from certain intragroup monetary transactions carried out by companies with different functional currencies. These hedging transactions mature mainly in 2016. At December 31, 2015 and 2014 the total nominal value covered by exchange rate hedges is as follows:

Thousands euros		
Currency	12.31.2015	12.31.2014
US Dollar	40,636	51,997
Chinese Yuan	95,658	8,246
Brazilian Real	53,124	54,774
Indian Rupee	46,049	9,000
Mexican Peso	8,942	2,086

Also, the GAMESA Group arranges interest rate hedges in order to mitigate the effect of interest rate fluctuations on future cash flows from loans tied to variable interest rates. At December 31, 2015 and 2014, the nominal value of the liabilities hedged by interest rate hedges amounted to €220,777 thousands and €14,407 thousands, respectively.

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

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

No significant ineffectiveness has been detected in the hedges designated by GAMESA Group in 2015 and 2014.

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:

	2015		2014	
	Thousands euros	%	Thousands euros	%
By Geographical area				
Spain	2,398	13.90%	3,851	35.57%
Other European Union countries	-	-	255	2.35%
Rest of the world	14,848	86.10%	6,721	62.08%
Total	17,246	100%	10,827	100%
By Counterparty				
Credit institutions	17,246	100%	10,827	100%
Total	17,246	100%	10,827	100%

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

	2015		2014	
	Thousands euros	%	Thousands euros	%
Risks rated A or A-	7,955	46.13%	2,308	21.32%
Risks rated BBB+	649	3.76%	1,315	12.14%
Risks rated BBB	1,346	7.80%	3,979	36.75%
Risks rated BBB-	-	-%	3,225	29.79%
Risks rated BB+	7,296	42.31%	-	-
Total	17,246	100%	10,827	100%

B Market risk

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

	Percentage change in exchange rates			
	2015		2014	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Thousands of euros				
Change in the value of the hedge	(6)	6	(2)	2

	Percentage change in exchange rates			
	2015		2014	
	+ 5%	- 5%	+ 5%	- 5%
Thousands of euros				
Change in the value of the hedge	(560)	560	(135)	135

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Provisions for liabilities and charges

The detail of “Provisions for contingencies and charges” on the liabilities of the accompanying consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

Thousands of euros	Provisions for litigation, termination benefits, taxes and similar	Provisions for guarantees	Provisions for contracts reflecting losses	Total provisions
Balance at January 1, 2014	26,714	222,046	3,810	252,570
Period provisions charged to income statement (Notes 29.E and 29.C)	-	76,800	-	76,800
Transfers to current items	(2,561)	5,185	-	2,624
Provisions used for their intended purpose	(5,019)	(99,877)	(3,810)	(108,706)
Differences on exchange in foreign currency	288	11,464	-	11,752
Balance at December 31, 2014	19,422	215,618	-	235,040
Period provisions charged to income statement (Notes 29.E y 29.C)	7,155	104,750	-	111,905
Provisions used for their intended purpose	(7,457)	(80,778)	-	(88,235)
Differences on exchange in foreign currency	(50)	(1,748)	-	(1,798)
Balance at December 31, 2015	19,070	237,842	-	256,912

The information regarding the information for the Group's provisions is divided into 4 large groups:

A Litigation, termination benefits, taxes and similar

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

B Provisions for guarantees

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

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

C Contracts reflecting losses

On October 10, 2012, GAMESA concluded a framework agreement for the supply of 4.5 MW wind turbines in Finland in 2013 and 2014. At December 31, 2012 the estimation was that the total cost would exceed the revenues obtained from the contract and therefore, in accordance with the accounting policy described in Note 3.B, a provision was recorded for liabilities and charges amounting €15 million under the heading "Change in provisions for contracts reflecting losses" in the consolidated income statement for 2012.

During 2013, €11.3 million were applied for this purpose, and a provision pending application amounting €3.8 million remained at December 31, 2013, which was fully applied for this purpose in 2014.

Other non-current liabilities

The detail of “Other non-current liabilities” in the accompanying consolidated balance sheets at December 31, 2015 and 2014 is as follows:

Thousands of euros		
	12.31.2015	12.31.2014
Prepayments refundable	30,787	43,616
Other non-current liabilities	13,153	10,013
Total	43,940	53,629

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

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

Prepayments refundable at December 31, 2014 maturing at								
	Short Term			Non-current				
	Balance at 12.31.2014	2015	2016	2017	2018	2019	2020 and subsequent	Total Long Term
Prepayments refundable	50,594	6,978	4,248	6,231	6,413	5,981	20,743	43,616

The financial liability corresponding to these prepayments refundable is recognised at its present value, which basically coincides with its fair value, and the difference up to its repayment value calculated at a rate between 3% and 5% is recognised as an implicit aid to be recognised as income on a systematic basis, over the periods required to offset it with the related costs (Note 3.H).

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Deferred taxes

The detail of “Deferred tax assets” and “Deferred tax liabilities” in the accompanying consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

Thousands of euros	12.31.2014	Allocation and/or credit (charge) to income (Note 27)	Credit (charge) to asset and liability revaluation reserve	Differences on exchange	Disposals/ Excluded from consolidation	12.31.2015
Deferred tax assets:						
Revaluation of derivative financial instruments (Note 22)	220	-	1,842	(34)	-	2,028
Tax loss carryforwards	149,717	20,529	-	1,448	-	171,694
Unused tax credits recognised	141,022	(37,460)	-	-	-	103,562
Temporary differences	114,330	32,671	-	(2,113)	(384)	144,504
Total	405,289	15,740	1,842	(699)	(384)	421,788
Deferred tax liabilities:						
Deductible Goodwill	(39,201)	(900)	-	-	-	(40,101)
Revaluation of derivative financial instruments (Note 22)	(1,100)	-	(5,648)	1,010	-	(5,738)
Temporary differences	(43,104)	(27,083)	-	327	51	(69,809)
Total	(83,405)	(27,983)	(5,648)	1,337	51	(115,648)

Thousands of euros	12.31.2013	Allocation and/or credit (charge) to income (Note 27)	Credit (charge) to asset and liability revaluation reserve	Differences on exchange	Disposals/ Excluded from consolidation	12.31.2014
Deferred tax assets						
Revaluation of derivative financial instruments (Note 22)	3,491	-	(3,236)	(35)	-	220
Tax loss carryforwards	152,297	(2,906)	-	326	-	149,717
Unused tax credits recognised	137,023	3,999	-	-	-	141,022
Temporary differences	86,550	27,743	-	2,908	(2,871)	114,330
Total	379,361	28,836	(3,236)	3,199	(2,871)	405,289
Deferred tax liabilities						
Deductible goodwill	(37,521)	(1,680)	-	-	-	(39,201)
Revaluation of derivative financial instruments (Note 22)	(3,722)	-	2,622	-	-	(1,100)
Temporary differences	(39,989)	(2,556)	-	(559)	-	(43,104)
Total	(81,232)	(4,236)	2,622	(559)	-	(83,405)

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

The breakdown of temporary asset differences for items at December 31, 2015 and 2014 are the following:

	Thousands of euros	
	12.31.2015	12.31.2014
Provisions for liabilities and charges and other provisions	68,044	46,447
Impairment of property, plant and equipment	28,962	30,685
Finance cost	3,291	777
Other temporary differences	44,207	36,421
Total	144,504	114,330

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Public administrations

The Parent Company has its tax registered office for tax purposes in Vizcaya, and the tax legislation applicable to 2015 and 2014 is that in force in the Historic Territory of Vizcaya.

The detail of “Current assets – Tax receivables” and “Other payables – Tax payables” on the asset and liability sides, respectively, of the consolidated balance sheets at December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	12.31.2015	12.31.2014
Tax receivables		
VAT refundables	121,044	140,369
Tax withholdings and interim payments made	28,065	32,507
VAT refunds receivable and other	58,097	10,437
Grants receivable	5,877	9,216
Total	213,083	192,529

Thousands of euros		
	12.31.2015	12.31.2014
Tax payables		
VAT payables	52,278	72,742
Withholdings payable	7,718	10,233
Corporate income tax payable	33,024	8,566
Other taxes payable	2,012	2,714
Social security	5,241	5,604
Total	100,273	99,859

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

Gamesa Corporación Tecnológica, S.A. (Parent company)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Gamesa Electric, S.A.U.	Sistemas Energéticos Fonseca, S.A.U.
Gamesa Europa, S.L.U.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Gamesa Energía, S.A.U.	Sistemas Energéticos Balazote, S.A.U.
Gamesa Inversiones Energéticas, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
International Windfarm Development II, S.L.	Sistemas Energéticos Monte Genaro, S.L.U.
International Windfarm Development III, S.L.	Sistemas Energéticos Argañoso, S.A.U.
Sistemas Energéticos Tarifa, S.A.U.	Sistemas Energéticos Carril, S.A.U.
International Windfarm Development IV, S.L.	Sistemas Energéticos Jaralón, S.A.U.
International Windfarm Development V, S.L.	Sistemas Energéticos Lomas del Reposo, S.A.U.
International Windfarm Development VII, S.L.	International Windfarm Development VI, S.L.
International Windfarm Development IX, S.L.	Cametor, S.L.

Income tax expense / (income)

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

Gamesa Corporación Tecnológica, S.A. Unipersonal (Sociedad dominante)	Sistemas Energéticos Sierra de Valdefuentes, S.L.U.
Gamesa Electric, S.A.U.	Sistemas Energéticos Fonseca, S.A.U.
Gamesa Europa, S.L.U.	Sistemas Energéticos Serra de Lourenza, S.A.U.
Gamesa Energía, S.A.U.	Sistemas Energéticos Balazote, S.A.U.
Gamesa Venture Capital, S.A.	Sistemas Energéticos Sierra del Carazo, S.L.U.
Gamesa Inversiones Energéticas, S.A.	Sistemas Energéticos Monte Genaro, S.L.U.
International Windfarm Development II, S.L.	Sistemas Energéticos Argañoso, S.A.U.
International Windfarm Development III, S.L.	Sistemas Energéticos Carril, S.A.U.
Sistemas Energéticos Tarifa, S.A.U.	Sistemas Energéticos Jaralón, S.A.U.
International Windfarm Development IV, S.L.	Sistemas Energéticos Lomas del Reposo, S.A.U.
International Windfarm Development V, S.L.	International Windfarm Development VI, S.L.
International Windfarm Development VII, S.L.	International Windfarm Development IX, S.L.
Gamesa Financiación, S.A.	Cametor, S.L.

Since 2010 the subsidiaries Gamesa Eólica, S.L.U. Gamesa Innovation and Technology, S.L.U. and Estructuras Metálicas Singulares, S.A.U. resolved to be taxed under the Navarre consolidated tax regime, being Gamesa Eólica, S.L.U. the Parent company of this Tax Group.

Since 2005 Gamesa Technology Corporation, Inc and its subsidiaries have filed consolidated federal income tax returns in the US, being Gamesa Technology Corporation, Inc the Parent company of this Tax Group.

The other consolidated companies file individual tax returns.

The difference between the tax charge allocated to each year and the tax payable for that year, recognised in “Deferred tax assets” and “Deferred tax liabilities” on the asset and liability sides, respectively, of the consolidated balance sheets at December 31, 2015 and 2014, arose as a result of the following noteworthy circumstances:

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

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

	Thousands of euros	
	2015	2014
Current taxes	64,310	62,719
Deferred taxes (Note 25)	12,243	(24,600)
Income tax expense/(income)	76,553	38,119

The income tax expense (income) for 2015 and 2014 was determined as follows:

	Thousands of euros	
	2015	2014
Consolidated result before income tax	253,599	134,127
Permanent differences		
• Exemption of gains from the sale of wind farms	(669)	(11,103)
• Assignment of intangible assets	(72,460)	(46,862)
• Profits obtained by companies consolidated using the equity method (Note 11)	24,988	667
• Dividends and other permanent differences	39,613	36,845
Adjusted book result	245,071	113,674
Gross tax at current rate in each country (*)	76,625	35,735
Deductions due to tax incentives and others generated during the year	(6,529)	(7,024)
Temporary differences relating to unrecoverable assets and other adjustments	6,457	9,408
Expense / (revenue) accrued on corporate income tax	76,553	38,119

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

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

Under current legislation, tax losses could be offset for tax purposes against the taxable profits that will foreseeably arise in future periods according to the applicable legislation of each period. In this sense, the companies of the GAMESA Group have €171,694 thousands in tax-loss carryforwards available to offset in future years (€149,717 thousands in December 31, 2014). Additionally there are still registered unused tax credits amounting €103,562 thousands (€141,022 thousands in December 31, 2014) (Note 25).

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

- Basque tax group for €7,384 thousands (€32,362 thousands in 2014). The recovery of the tax-loss carryforwards and deductions by the basque tax group are reasonably ensured over a period of 10 years.

Tax-loss carry forwards and deductions generated by the Basque Tax Group expire for tax purposes in 15 years starting in 2014.

- Navarre tax group for €210,477 thousands (€236,695 thousands in 2014). The recovery of the tax-loss carryforwards and deductions by the Navarre Tax Group are reasonably ensured over a period of 10 years. Tax-loss carryforwards and deductions generated by the Navarre Tax Group expire for tax purposes in 10 and 15 years, respectively.
- In addition, at the end of 2015 there were tax-loss carry forwards and deductions to other companies of the group generated amounting €57,395 thousands (€21,990 thousands in 2014) that have yet to be applied and his recovery is assured over a maximum of 5 years.

At December 31, 2015 and 2014, the GAMESA Group companies had unrecognised deferred tax assets. Also, the Group has unrecognised accredited tax loss carryforwards amounting approximately €217,569 thousands (€245,241 thousands at December 31, 2014) and tax deductions amounting approximately €142,231 thousands (€145,529 thousands at December 31, 2014). These deferred tax assets were not recognised because the GAMESA Group considers that the conditions for considering them to be recoverable in future years were not met.

In accordance with current legislation, taxes may not be regarded as definitively settled until the relevant returns have been examined by the tax authorities or the relevant time limit has ended. At December 31, 2015, in Spain the Group had all years since 2010 open for review for income tax and all years since 2012 for the other taxes applicable to it. The Parent company's Directors consider that the aforementioned taxes have been appropriately settled and, consequently, even if there are discrepancies with respect to the interpretation of current legislation for the tax treatment given to the transactions, any potential resulting liabilities would not have a material effect on the accompanying Consolidated Financial Statements.

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Commitments, guarantees to third parties and contingent liabilities

At December 31, 2015, the GAMESA Group had received guarantees from banks and insurance companies that were provided to third parties amounting €1,573,793 thousands (€1,435,218 thousands in 2014). The detail by type, of the guarantees received by the GAMESA Group is as follows:

	Thousands of euros	
	12.31.2015	12.31.2014
Financing Guarantees	58,481	189,828
Business contract guarantees	1,488,647	1,178,771
Guarantees provided to the government	26,665	66,619
Total	1,573,793	1,435,218

The GAMESA Group considers that the liabilities, if any, which might arise from the obligations and guarantees shown in the table above additional to those for which provisions had been recognised at December 31, 2015 and 2014 would not be significant.

Revenue and expense

A Revenue and other operating income

The detail of these headings in the 2015 and 2014 consolidated income statements is as follows:

Thousands of euros		
	2015	2014
Sale of goods (Notes 3.A and 3.B)	2,914,026	2,278,539
Rendering of services	589,776	567,618
Net revenues	3,503,802	2,846,157
Operating grants (Note 3.M)	664	214
Own work capitalised (Notes 3.D and 3.E)	52,082	52,816
Other revenues	10,702	6,169
Other operating income	63,448	59,199

B Procurements

The detail of "Procurements" in the consolidated income statements for 2015 and 2014 is as follows:

Thousands of euros		
	2015	2014
Acquisitions of raw materials and other supplies	2,575,159	1,973,835
Changes in inventories of goods held for resale and raw materials (Note 14)	(97,020)	22,235
Total	2,478,139	1,996,070

C Staff costs

The breakdown of this balance in the 2015 and 2014 consolidated income statements is as follows:

Thousands of euros		
	2015	2014
Wages and salaries	256,369	222,101
Incentive Plan (Note 18.E)	6,489	8,024
Compensations	5,800	1,976
Company Social Security contributions	55,826	57,720
Other benefit expenses	16,566	13,103
Total	341,050	302,924

The average number of employees and Directors in 2015 and 2014, by professional category, was as follows:

Categories	2015	2014
Board Members	11	10
Senior management	6	5
Directors	98	95
Management personnel	4,077	3,500
Employees	2,588	2,631
Total	6,780	6,241

The distribution of employees by gender in the year-end 2015 and 2014 is as follows:

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

	12.31.2014		
	Male	Female	Total
Board Members	9	1	10
Senior management	5	-	5
Directors	90	10	100
Management personnel	2,961	904	3,865
Employees	1,916	545	2,461
Total	4,981	1,460	6,441

The average number of employees of the Group in 2015 and 2014, with a disability equal to or greater than 33%, by category, was as follows:

Categories	2015	2014
Management personnel	9	6
Employees	20	12
Total	29	18

D Other operating expenses

The breakdown of this balance in the 2015 and 2014 consolidated income statements is as follows:

Thousands of euros		
	2015	2014
Rent and royalties	40,960	43,183
Repairs, upkeep and maintenance expenses	14,023	12,287
Independent professional services	41,219	48,831
Vehicles	17,143	15,761
Insurance	19,089	17,853
Bank and similar services	12,372	14,469
Advertising, publicity and public relations	3,639	2,979
Utilities	15,460	12,959
Travel Expenses	35,795	33,085
Telecommunications	4,872	4,755
Security	4,622	4,145
Cleaning	1,848	1,956
Subcontracting	31,463	31,206
Taxes and other	64,985	53,394
Total	307,490	296,863

At December 31, 2015, the future minimum lease payments under non-cancellable operating leases arranged by the GAMESA Group amounted approximately €30,658 thousands (€33,166 thousands in December 31, 2014). The due dates for the operating lease instalments that cannot be cancelled are as follows:

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

Thousands of euros			
Year 2014	2015	2016-2019	2020 and subsequent
Operating lease instalments that cannot be cancelled	8,122	20,467	4,577

At December 31, 2015, the Company had recognised €3,366 thousands under “Non-current deposits and guarantees” (Note 13.B) mainly related to existing leases (€3,140 thousands at December 31, 2014).

E Depreciation and amortisation charge and provisions

The breakdown of this balance in the 2015 and 2014 consolidated income statements is as follows:

Thousands of euros		
	2015	2014
Property, plant and equipment depreciation charge (Note 10)	63,816	60,817
Intangible asset amortisation charge (Note 9)	32,237	31,138
Depreciation	96,053	91,955
Change in operating provisions for guarantees and others (Note 23)	111,905	76,800
Change in write-downs of inventories (Note 14)	19,476	(7,978)
Change in other trade provisions	1,924	14,571
Provisions	133,305	83,393
Depreciation and provisions	229,358	175,348

F Finance income

The breakdown of this balance in the 2015 and 2014 consolidated income statements is as follows:

Thousands of euros		
	2015	2014
Profits from available-for-sale assets	3,640	3,315
Other finance and similar income	9,959	8,367
Total	13,599	11,682

G Finance costs

The breakdown of this balance in the 2015 and 2014 consolidated income statements is as follows:

Thousands of euros		
	2015	2014
Financial expenses and others treated as such (Note 21)	46,453	52,498
Transfer of gains/losses on hedges of cash flows (Notes 18.C and 22)	672	1,857
Total	47,125	54,355

Capitalised interest on the construction of wind wind farms in 2015 and 2014 amounted €2,344 thousands and €1,137 thousands, respectively. The average capitalisation rates used in 2015 and 2014 were 5.74% and 2.57% respectively.

Directors' remuneration

In 2015 the Directors of GAMESA earned fixed and variable salaries, per diets, and other items amounting approximately €4,892 thousands (€3,700 thousands in 2014). The detail of the aforementioned amount is as follows:

	Thousands of euros	
	2015	2014
Members of the Board of Directors		
Type of remuneration		
Fixed compensation	2,073	1,776
Annual variable compensation	522	871
Long-term variable compensation	1,260	-
Per diets	527	481
	4,382	3,128
Other benefits	510	572
Total	4,892	3,700

Within the remuneration to the Board of directors has been included, according to the Annual Report on Remuneration of Directors, the amount accrued in cash by the President and CEO corresponding to the long term incentive approved by the General Meeting of 2013, whose measurement period ended on December 31, 2015, for a total amount of €1,260 thousands (zero euros in 2014). The 50 percent of this amount will be settled within 90 first days of 2016 and 50 per 100 remaining within the first 90 days of 2017. Regarding the part of an incentive in shares, it has been recongised the right to delivery of 189,759 shares, delivery that is scheduled to materialize the 50 percent (94,879 actions) within the first 90 days of 2016 and the remaining 50 percent (94,880 shares) in the same period of 2017. The amount corresponding to the shares delivered in these periods will be included in the annual reports on remuneration to directors and in the annual corporate governance reports corresponding to them, calculated by the average value of quoted price of the stock on the date of delivery to the president and director.

The concept of Other benefits at December 31, 2015 corresponds to (i) the amount of the premiums paid for the coverage of death and disability insurances by €51 thousands (€47 thousands in 2014) and life and savings of the current directors amounting €400 thousands (€450 thousands in 2014); and (ii) the allocation of the group insurance for executives, directors and other employees by €59 thousands (€75 thousands in 2014).

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

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

Thousands of euros		
	2015	2014
Type of director		
Executives	2,915	1,836
External proprietary directors	531	423
External independent directors	1,446	1,441
Other external	-	-
Total	4,892	3,700

At 2015 year-end the members of the Board of Directors of Gamesa Corporación Tecnológica, S.A. and certain persons related to them as defined in the Spanish Limited Liability Companies Law 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 object. Also, following is a detail of the positions held and functions discharged at those companies:

Owner	Investee company	Line of Business	Number of Shares	Functions
Arregui Ciarolo, Juan Luis	Iberdrola, S.A.	Power & utilities	30,284,584	None
Villalba Sánchez, Francisco Javier (*)	Iberdrola, S.A.	Power & utilities	-	Compliance Manager of the group Iberdrola
Villalba Sánchez, Francisco Javier (*)	Elektro Electricidade e Serviços, S.A.	Power & utilities	-	CEO of the Network Business of the group Iberdrola
Villalba Sánchez, Francisco Javier (*)	Iberdrola USA Networks, Inc.	Power & utilities	-	President
Villalba Sánchez, Francisco Javier (*)	Iberdrola Distribución Eléctrica, S.A.	Power & utilities	-	President
Villalba Sánchez, Francisco Javier (*)	Scottish Power Energy Networks Holdings Ltd.	Power & utilities	-	President
Rubio Reinoso, Sonsoles	Iberdrola, S.A.	Power & utilities	40,184	President
Góngora Bachiller, Gema	Iberdrola, S.A.	Power & utilities	2,072	Director of Development and Executive Management at Iberdrola, S.A.

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

The members of the Board of Directors were affected by the following conflicts of interest in 2015

- Castresana Sánchez, Ramón. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with IBERDROLA, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on March 24 and May 8, 2015.
- Góngora Bachiller, Gema. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with IBERDROLA, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on July 29, November 18 and December 16, 2015.
- Villalba Sánchez, Francisco Javier. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with IBERDROLA, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on March 24, May 8, June 29, July 29, November 18 and December 16, 2015.
- Rubio Reinoso, Sonsoles. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with IBERDROLA, S.A. and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meetings held on March 24, May 8, June 29, July 29, November 18 and December 16, as well as, the meetings of the Audit and Compliance Committee held on March 16, May 5, June 26, July 28, November 5 and December 11, 2015.
- Hernández García, Gloria. In accordance with the procedure established in Article 31 of the Gamesa Corporación Tecnológica, S.A. Board of Directors Regulations, when the Board has deliberated and adopted any resolutions relating to operations with BANKINTER and/or group companies, he has not participated in the deliberation, voting, decision and execution of the resulting resolution. This occurred in the Board meeting held on December 16, 2015 when it was deliberated and adopted an agreement related with the syndicated loan of the GAMESA Group.

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

Remuneration of senior management

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

	Thousands of euros	
	2015	2014
Salaries and other short-term compensation	4,694	3,252
Share-based payments	2,972	-
Total	7,666	3,252

Within the remuneration of senior management there is included as a variable compensation in the long term the accrued amount in cash of the long term incentive approved by the General Meeting of 2013, whose measurement period ended December 31, 2015, for a total amount of €2,972 thousands (zero euros in 2014). The 50 percent of this amount will be settled within the first 90 days of 2016 and 50 percent remaining within the first 90 days of 2017. Regarding the part of incentive in the form of shares, the delivery is scheduled to materialize within the first 90 days of 2016 (50 percent) and in the same period of 2017 (50 percent remaining). With regard to the part of an incentive in the form of shares, the right of delivery of the senior management has recognised for amounting 447,580 shares, delivery that it is expected to verify, 50 percent (223,790 shares) within the 90 first days of 2016 and the remaining 50 percent (223,790 shares) in the same period of 2017. The amount corresponding to the shares delivered in these periods are included in the annual corporate governance reports corresponding to them, calculated by the average value of quoted price of the stock on the date of delivery to beneficiaries.

In 2015 and 2014 there were no transactions with executives other than those carried out in the ordinary course of business.

Related party balances and transactions

All the significant balances at year-end between the consolidated companies and the effect of the transactions between them during the year were eliminated on consolidation. The detail of the transactions with related companies and associates and companies that are related parties which were not eliminated on consolidation in 2015 and 2014 is as follows:

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

Thousands of euros				
Year 2014	Receivables	Balances Payables	Sales and services rendered	Services received
Iberdrola, S.A. and subsidiaries (Note 18)	50,351	209,508	313,312	5,519
Windar Renovables, S.L. and subsidiaries (Note 11)	4,538	26,296	9,387	71,384
Other	14,811	2,145	155	1,913
Total	69,700	237,949	322,854	78,816

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

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

A Agreements relating to the wind turbine and operations and maintenance segments

Through its subsidiary Gamesa Eólica, S.L. Unipersonal, on December 21, 2011 Gamesa and Iberdrola, S.A. concluded a framework agreement relating to the supply and maintenance of wind turbines. Under that framework agreement, 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 Iberdrola Group from GAMESA Group under the Framework agreement totals 3,800, whichever occurs first.

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

- GAMESA and Iberdrola, S.A will closely collaborate with new opportunities relating to the offshore wind business.
- GAMESA and Iberdrola, S.A will collaborate within the area of maintenance services so that Gamesa Eólica will become a company of reference with respect to wind farm maintenance throughout Iberdrola's business. In particular, the following agreements have been reached:
 - Establish new areas of study and analysis for the rendering of maintenance services by Gamesa to Iberdrola, particularly the rendering of those services in the United States, the sale and installation of wind turbine reliability improvements or the extension of their useful lives and the conversion and update of wind turbine models.
 - The extension of current maintenance services.

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

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

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

B Agreements between Gamesa Group and Windar Renovables, S.L.

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

Other information

A Information regarding the deferral of payments made to suppliers

In accordance with the single additional provision of the Resolution of January 29, 2016 of the Accounting and Audit Institute, about the information to include in the notes to the financial accounts related with the deferral of payments made to suppliers in commercial operations, no comparative information is included, as the financial accounts of 2015 are presented as initial regarding the exclusive effects referred to the application of the principle of uniformity and the comparability requirement.

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

	2015 (Days)
Average payment period	56.81
Settled operations ratio	57.47
Pending operations ratio	41.35
	Amount (Thousands of euros)
Total settled payments	1,100,007
Total pending payments	47,151

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

Fees paid to auditors

In 2015 and 2014 the fees for 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 Financial Statements of the Consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

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

Thousands of euros		
Year 2014	Services rendered by EY	Services provided by other audit firms
Audit services	968	55
Other attest services	78	-
Total audit and related services	1,046	55
Tax advisory services	285	13
Other services	29	146
Total services other companies in the network	314	159
Total professional services	1,360	214

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Earnings per share

At December 31, 2015 the average number of ordinary shares used in the calculation of earnings per share is 276,133,327 shares (Note 18.A) (259,121,794 shares at December 31, 2014), given that in 2015 GAMESA has held an average of 3,135,460 treasury shares (3,085,866 in 2014) (Note 18.E).

The basic earnings per share from continuing and discontinued operations attributable to the Parent company in 2015 and 2014 were as follows:

	2015	2014
Net profit from continuing operations attributable to the Parent (thousands of euros)	177,388	96,687
Net profit from discontinued operations attributable to the Parent (thousands of euros)	(7,172)	(4,839)
Average number of outstanding shares	276,132,529	259,121,794
Basic earnings per share from continuing operations (euros)	0.6424	0.3737
Basic earnings per share from discontinued operations (euros)	(0.0260)	(0.0187)
Total basic earnings per share	0.6164	0.3550

At December 31, 2015 and 2014, Gamesa Corporación Tecnológica, S.A., the Parent of the GAMESA Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

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

In accordance with the Business Plan 2013-2015 and the new strategic orientation of wind farms development and sale, the assets and liabilities relating to the development activity in the United States are presented as "Disposal groups of assets classified as held-for-sale" after the decision by Management to suspend the development and sale of wind farms in the United States.

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

On November 27, 2013, it was signed the sale contract of the stake that GAMESA had in the company Wind Portfolio Sponsorco, LLC., company that at the same time maintained the stake in various wind farms built by GAMESA (Sandy Ridge Wind, LLC., Senate Wind, LLC. and Minonk Wind, LLC.). That sale, which was done to the main shareholder, was definitively materialized during the first semester of 2014 once the technical and administrative conditions that were pending in 2013 were considered as complied, finally receiving \$117 million (€85 million).

As it is mentioned in the prior paragraph, in 2014 it was sold a significant part of the assets held-for-sale and actions for selling the remaining assets of this heading are actually being carried out according to its compromise and sales plan.

Details of the assets and liabilities that make up opponent classified as “Disposal groups of assets classified as held-for-sale” at December 31, 2015 and 2014, as in both years the conditions for such a classification were met in accordance with the matters indicated in Notes 3.I, are as follows:

Thousands of euros		
	12.31.2015	12.31.2014
Property, plant and equipment	-	302
Non-current financial assets	-	10
Total non-current assets	-	312
Inventories	27,940	29,361
Receivables	806	1,844
Cash and other cash equivalents	-	(1)
Total current assets	28,746	31,204
Total disposal groups of items classified as held-for-sale	28,746	31,516
Other non-current liabilities	570	521
Total non-current liabilities	570	521
Other current liabilities	273	1,459
Total current liabilities	273	1,459
Total liabilities associated with disposal groups of items classified as held-for-sale	843	1,980
Net asset in disposal group	27,903	29,536

The main headings of the income statement relating to the component classified as a discontinued operation in 2015 and 2014 are as follows:

Thousands of euros		
	2015	2014
Net revenues	4,262	4,279
Other expenses	(11,434)	(6,572)
Profit/(loss) before taxes	(7,172)	(2,293)
Corporate income tax attributable	-	(2,546)
Profit /(loss) for the year from discontinued activities	(7,172)	(4,839)

The development and sale of wind farms in the United States at December 31, 2015 and 2014 relates mainly to an operating wind farm in use owned by GAMESA and recognised under the heading “Inventories” in the above table. This heading was subjected to €31.9 million impairment recognised because the book value was higher than the recoverable value estimated by cash flow forecasts and references to transactions and other market parameters at December 31, 2012 with an additional impairment of €3 million at December 31, 2015.

This impairment has been applied taking into account projected cash flows over the coming years, bearing in mind a time horizon of 20 years, annual growth of 2% and the discount rate based on the weighted average cost of capital (WACC) of 8%. The key assumptions used were as follows:

- Units sold in coming years (MWh).
- Average revenues per unit.

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

- 5% decrease in the MWh sold in coming years.
- 5% increase in the MWh sold in coming years.
- 5% decrease in average revenue per MWh.
- 5% increase in average revenue per MWh.

These sensitivity analyses performed individually for each key assumption would have revealed the existence of additional impairment amounting approximately €2,996 thousands at December 31, 2015 and a decrease in impairment of approximately €2,996 thousands.

Furthermore, GAMESA performed a sensitivity analysis, consisting of increasing the discount rate by 50 basis points, which would have led to the need to record additional impairment of approximately €1 million.

At the date the Group's 2015 Consolidated Financial Statements were prepared GAMESA maintains sales negotiations of this wind farm for a value that is not significantly different from the value recognized at December 31, 2015. Management is carrying out the action that is necessary within the negotiation process and expects a favourable decision regarding the transfer of the non-current asset in the short-term.

At December 31, 2015 the amount recognised as "Profit for the year from discontinued operations" fundamentally includes the losses generated by this wind farm.

The breakdown of cash flows deriving from the component classified as discontinued operations in 2015 and 2014 is as follows:

Thousands of euros		
	2015	2014
Cash flows from operating activities	1	(1,762)
Cash flows from investing activities	-	85,416
Cash flows from financing activities	-	-
Total cash flows from discontinued activities	1	83,654

The cash-flow originated in the charge of the sale of the stake in Wind Portfolio Sponsorco, LLC was included in the continuing activities cash-flow of the Group.

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Post-balance sheet events

There were no significant subsequent events to the year end

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Explanation added for translation to english

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

APPENDIX

FULLY CONSOLIDATED COMPANIES

Companies	Business line	Auditor	Location	% Of direct and indirect Ownership
A Gamesa Energía Group				
Gamesa Energía, S.A. Unipersonal	Development of wind farms	EY	Vizcaya	100%
A.1 Wind Farms				
Development of wind farms				
Gamesa Inversiones Energéticas, S.A.	Development of wind farms	EY	Vizcaya	100%
Gamesa Energía Italia, S.P.A.	Development of wind farms	EY	Italy	100%
Gamesa Energiaki Hellas, A.E.	Development of wind farms	EY	Greece	100%
Gamesa Energie France, E.U.R.L.	Development of wind farms	EY	France	100%
Parques Eólicos del Caribe, S.A.	Development of wind farms	PWC	Dominican Republic	57%
Navitas Energy, Inc.	Development of wind farms	-	U.S.A	97%
Gamesa Energy Romania, Srl	Development of wind farms	-	Romania	99%
Gamesa Energy UK, Ltd.	Development of wind farms	EY	U.K.	100%
Wind Portfolio SponsorCo, LLC	Development of wind farms	-	U.S.A	100%
Gamesa Energie Deutschland, GmbH	Development of wind farms	EY	Germany	100%
Kurnool Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
Kadapa Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
Anantapur Wind Farms Privated Ltd	Manufacturing and holding company	-	India	100%
GERR, Grupo Energético XXI, S.A Unipersonal	Development of wind farms	-	Barcelona	100%
International Wind Farm Developments II, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Developments III, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Developments IX, S.L.	Development of wind farms	-	Vizcaya	100%
Gamesa Bulgaria EOOD	Development of wind farms	EY	Bulgaria	100%
International Wind Farm Development IV, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development V, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development VI, S.L.	Development of wind farms	-	Vizcaya	100%
International Wind Farm Development VII, S.L.	Development of wind farms	-	Vizcaya	100%
Eólica Da Cadeira, S.A.	Development of wind farms	-	A Coruña	65%
Gesa Energía S.R.L.de C.V.	Development of wind farms	-	Mexico	100%
Sistemas Energéticos Jaralón, S.A. Unipersonal	Development of wind farms	-	Vizcaya	100%
Gesan México 1, S.A.P.I. DE C.V.	Development of wind farms	EY	Mexico	100%
Gamesa Eólica, S.L. "Branch Jamaica"	Development of wind farms	-	Jamaica	100%
Operation of wind farms				
Baileyville Wind Farm, LLC	Operation of wind farms	-	U.S.A	97%

Companies	Business line	Auditor	Location	% Of direct and indirect Ownership
Windfarm 33 GmbH	Operation of wind farms	-	Germany	100%
Windfarm 35 GmbH	Operation of wind farms	-	Germany	100%
Windfarm 38 GmbH	Operation of wind farms	-	Germany	100%
Windfarm 40 GmbH	Operation of wind farms	-	Germany	100%
Windfarm 41 GmbH	Operation of wind farms	-	Germany	100%
S.E. Balazote, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%
S.E. Cabezo Negro, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%
Sistemas Energéticos La Plana, S.A.	Operation of wind farms	Attest	Zaragoza	90%
Sistemas Energéticos La Jimena, S.A.	Operation of wind farms	-	Soria	60%
Sistemas Energéticos Barandón, S.A.	Operation of wind farms	-	Valladolid	100%
Eoliki Peloponissou Lakka Energiaki A.E.	Operation of wind farms	EY	Greece	86%
Eoliki Attikis Kounus Energiaki A.E.	Operation of wind farms	EY	Greece	86%
Sistemas Energéticos Ventorrillo, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos de Tarifa, S.L. Unipersonal	Development of wind farms	-	Vizcaya	100%
Sistemas Energéticos Argañoso, S.L. Unipersonal	Development of wind farms	-	Vizcaya	100%
Sistemas Energéticos del Sur, S.A.	Operation of wind farms	-	Sevilla	70%
Sistemas Energéticos los Nietos, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Sierra de Lourenza, S.A. Unipersonal	Development of wind farms	-	Vizcaya	100%
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Development of wind farms	-	Vizcaya	100%
Sistemas Energéticos Edreira, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Campoliva, S.A. Unipersonal	Operation of wind farms	-	Zaragoza	100%
Sistemas Energéticos Carril, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Gesacisa Desarrolladora S.A. de C.V.	Operation of wind farms	EY	Mexico	100%
Sistemas Energéticos Alcohujate, S.A. Unipersonal	Operation of wind farms	-	Toledo	100%
Energiaki Megalos Lakkos, S.A.	Operation of wind farms	EY	Greece	100%
SAS SEPE Lingevres	Operation of wind farms	-	France	100%
SAS SEPE St. Loup de Saintonge	Operation of wind farms	-	France	100%
SAS SEPE Villiers Vouille et Yversay	Operation of wind farms	-	France	100%
SAS SEPE Dampierre Prudemanche	Operation of wind farms	EY	France	100%
SAS SEPE Germainville	Operation of wind farms	EY	France	100%
SAS SEPE Ecueille	Operation of wind farms	EY	France	100%
Sistemas Energéticos el Valle, S.L.	Operation of wind farms	-	Navarra	100%
Sistemas Energéticos Fonseca, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos del Umia, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Cuntis, S.A.	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos La Cámara, S.L.	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Operation of wind farms	-	Canarias	100%

Companies	Business line	Auditor	Location	% Of direct and indirect Ownership
Sistemas Energéticos Alto de Croa, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Operation of wind farms	-	A Coruña	100%
Abruzzo Vento, S.R.L.	Construction and Operation of wind farms	-	Italy	90%
EBV Holding Verwaltung GMBH	Development of wind farms	-	Germany	100%
Gamesa Europa, S.L.	Development of wind farms	-	Galicia	100%
Sistemas Energéticos Boyal, S.L.	Operation of wind farms	-	Zaragoza	60%
Energiaki Arvanikos, MEPE	Operation of wind farms	-	Greece	100%
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Operation of wind farms	-	Granada	83%
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Sierra de las Estancias, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Operation of wind farms	-	Sevilla	100%
Parco Eolico Tutturano, S.R.L.	Operation of wind farms	-	Italy	100%
Parco Eolico Prechicca, S.R.L.	Operation of wind farms	-	Italy	100%
Paro Eolico Monte Maggio Scalette, S.R.L.	Operation of wind farms	-	Italy	100%
Osiek Sp. Z o.o	Operation of wind farms	-	Poland	100%
Sistemas Energéticos Monte Genaro, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Sistemas Energéticos Sierra del Carazo, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Harelaw Renewable Energy Park Ltd.	Operation of wind farms	-	U.K.	100%
Shap Renewable Energy Park Ltd.	Operation of wind farms	-	U.K.	100%
Watford Gap Renewable Energy Park Ltd.	Operation of wind farms	-	U.K.	100%
Aberchalder Renewable Energy Park Ltd.	Operation of wind farms	-	U.K.	100%
Windfarm Ringstedt II, GmbH	Operation of wind farms	-	Germany	100%
Llynfi Renewable Energy Park Ltd.	Operation of wind farms	-	U.K.	100%
Llanfynydd Renewable Energy Park Ltd.	Operation of wind farms	-	U.S.A	100%
Windfarm Gross Hasslow GmbH	Operation of wind farms	-	Germany	100%
Sistemas Energéticos de Gran Canaria	Operation of wind farms	-	Canarias	100%
Ger Baraganu S.R.L.	Electric energy production	-	Romania	100%
Ger Independenta S.R.L.	Electric energy production	-	Romania	100%
Ger Ludus S.R.L.	Electric energy production	-	Romania	100%
Lingbo SPW AB	Electric energy production	EY	Sweden	100%
Innovación Eólica de Salamanca S.L.	Electric energy production	-	Burgos	78%
Central Eolica de México I, S.A. de C.V.	Operation of wind farms	-	Mexico	100%
Energía Eólica de México	Operation of wind farms	-	Mexico	50%
Energía Renovable del Istmo	Operation of wind farms	-	Mexico	50%
Elliniki Eoliki Energiaki Kseropousi S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki Pírgos S.A.	Operation of wind farms	-	Greece	86%

Companies	Business line	Auditor	Location	% Of direct and indirect Ownership
Elliniki Eoliki Energiaki Kopriseza S.A.	Operation of wind farms	-	Greece	86%
Elliniki Eoliki Energiaki LIKOURDI S.A.	Operation of wind farms	-	Greece	86%
LICHNOWY Windfarm Sp. z o.o.	Operation of wind farms	-	Poland	100%
UJAZD Sp. z o.o.	Operation of wind farms	-	Poland	100%
Infraestructura Generación Valdeconejos, SL.	Operation of wind farms	-	Zaragoza	100%
Whitehall Wind, LLC	Operation of wind farms	-	U.S.A	100%
Energiaki Flabouro EPE	Operation of wind farms	-	Greece	100%
Fanbyn2 Vindenergi AB	Operation of wind farms	-	Sweden	100%
A.2 Manufacturing of wind turbines				
Gamesa Eólica, S.L. Unipersonal	Wind-powered facilities	EY	Navarra	100%
Gamesa Innovation & Technology, S.L. Unipersonal	Manufacture of moulds, blades and provision of central services (engineering)	EY	Navarra	100%
Estructuras Metálicas Singulares, S.A.	Manufacture of wind generator towers	EY	Navarra	100%
Gamesa Wind, GMBH	Wind-powered facilities	EY	Germany	100%
Gamesa Eólica Italia, S.R.L.	Wind-powered facilities	EY	Italy	100%
Gamesa Wind UK Limited	Manufacturing and holding company	EY	U.K.	100%
Gamesa Lanka Private Limited	Manufacturing and holding company	EY	Sri Lanka	100%
Gamesa Wind Romania, S.R.L.	Development of wind farms	EY	Romania	100%
Gamesa Singapore Private Limited	Manufacturing and holding company	EY	Singapur	100%
Gesa Eólica Honduras, S.A.	Manufacturing and holding company	-	Honduras	100%
Gamesa Eólica VE, C.A.	Manufacturing and holding company	-	Venezuela	100%
Gamesa Taiwan Limited	Manufacturing and holding company	-	Taiwan	100%
Gamesa Finland OY	Manufacturing and holding company	-	Finland	100%
Servicios Eólicos Globales, S.R.L. de C.V.	Manufacturing and holding company	-	Mexico	100%
Gamesa Mauritania SARL	Manufacturing and holding company	-	Mauritania	100%
Gamesa Ukraine LLC	Manufacturing and holding company	-	Ukraine	100%
Gamesa Uruguay S.R.L	Wind-powered facilities	-	Uruguay	100%
Gamesa Eólica Nicaragua, S.A.	Wind-powered facilities	-	Nicaragua	100%
Gamesa Kenya Limited, S.L.	Wind-powered facilities	-	Kenya	100%
Gamesa Puerto Rico C.R.L.	Wind-powered facilities	-	Puerto Rico	100%
Gamesa Belgium, S.R.L	Wind-powered facilities	EY	Belgium	100%
Gamesa Israel Ltd.	Wind-powered facilities	EY	Israel	100%
Gamesa Mauritius Ltd.	Wind-powered facilities	EY	Mauricio Islands	100%
B9 Energy O&M Limited	Wind-powered facilities	EY	U.K.	100%

Companies	Business line	Auditor	Location	% Of direct and indirect Ownership
RSR Power Private Limited	Manufacturing and holding company	-	India	100%
Gamesa II Eólica Portugal Sociedade Unipessoal Lda	Wind-powered facilities	-	Portugal	100%
Gamesa Renewable Private Ltd	Wind-powered facilities	EY	India	100%
Gamesa Blade Tianjin Co. Ltd.	Design, manufacture and assembly of blades	EY	China	100%
Gamesa Wind Energy System Development Co. Ltd.	Manufacture of wind components and maintenance of wind farms	EY	China	100%
Gamesa Trading Co. Ltd.	Raw material trader	EY	China	100%
Gamesa Cyprus Limited	Manufacturing and holding company	-	Chipre	100%
Gamesa New Zeland Limited	Manufacturing and holding company	-	New Zeland	100%
Gamesa Wind Bulgaria, EOOD	Development of wind farms	EY	Bulgaria	100%
Gamesa Eolica France S.A.R.L.	Wind-powered facilities	EY	France	100%
Gamesa Electric, S.A. Unipersonal	Manufacture and sale of electronic equipment	-	Vizcaya	100%
Gamesa Wind South Africa PTY Ltd.	Manufacturing and holding company	-	South Africa	100%
Gamesa Australia PTY, Ltd.	Manufacturing and holding company	-	Australia	100%
Gamesa Chile SpA	Manufacturing and holding company	-	Chile	100%
Gamesa Dominicana, S.A.S.	Manufacturing and holding company	EY	Dominican Republic	100%
Gamesa Energy Transmission, S.A. Unipersonal	Manufacture wind components	EY	Vizcaya	100%
Gesa Eólica Mexico, SA de CV	Wind-powered facilities	EY	Mexico	100%
Gamesa Energía Polska Sp zoo	Wind-powered facilities	-	Poland	100%
Parque Eólico Dos Picos, S.L. Unipersonal	Operation of wind farms	-	Vizcaya	100%
Gamesa Morocco, SARL	Wind-powered facilities	-	Morocco	100%
Gamesa Wind Energy Services, Ltd	Manufacturing and holding company	-	Turkey	100%
Gamesa Eólica Costa Rica, S.R.L.	Manufacturing and holding company	-	Costa Rica	100%
Gamesa Wind Sweden, AB	Manufacturing and holding company	EY	Sweden	100%
Gamesa Japan Kabushiki Kaisha	Manufacturing and holding company	-	Japan	100%
Gamesa Wind Hungary KTF	Manufacturing and holding company	EY	Hungary	100%
Gamesa Eólica Greece E.P.E	Manufacturing and holding company	-	Greece	100%
Jilin Gamesa Wind Co., Ltd.	Manufacturing and holding company	EY	China	100%
Inner Mongolia Gamesa Wind Co.,Ltda.	Manufacturing and holding company	EY	Mongolia	100%

Companies	Business line	Auditor	Location	% Of direct and indirect Ownership
Rajgarh Windpark Private Limited	Manufacturing and holding company	Otros	India	51%
Gamesa Ireland Limited	Manufacturing and holding company	EY	Ireland	100%
GM Navarra Wind Energy Private Limited	Manufacturing and holding company	-	India	100%
Gamesa Canada, ULC	Manufacturing and holding company	-	Canada	100%
Gamesa Azerbaijan, LLC	Manufacturing and holding company	-	Azerbaijan	100%
Gamesa Eólica Brasil, Ltd.	Management of electricity facilities	-	Brazil	100%
B Group Gamesa Technology Corporation				
Gamesa Technology Corporation, Inc	Administrative management services	EY	U.S.A	100%
Gamesa Wind US, LLC	Maintenance services of wind farms	EY	U.S.A	100%
Gamesa Wind, PA, LLC	Manufacture and assembly of wind generators	EY	U.S.A	100%
Cedar Cap Wind, LLC	Operation of wind farms	-	U.S.A	100%
Crescent Ridge II, LLC	Operation of wind farms	-	U.S.A	100%
2Morrow Energy, LLC	Operation of wind farms	-	U.S.A	100%
Mahantango Wind, LLC	Operation of wind farms	-	U.S.A	100%
Pocahontas Prairie Wind, LLC	Operation of wind farms	-	U.S.A	100%
C Others				
Cametor, S.L.	Ownership of non-current assets	-	Vizcaya	100%
Gamesa Venture Capital, S.C.R. de Régimen Simplificado, S.A. Unipersonal	Promotion companies	-	Spain	100%
Gamesa Financiación, S.A. Unipersonal	Promotion companies	-	Spain	100%
D Companies accounted by equity method				
Windar Renovables, S.L. y sociedades dependientes	Manufacture and holding Company	PWC	Asturias	32%
Energías Renovables San Adrián de Juarros, S.A.	Development and Operation of windfarms	-	Burgos	45%
Windkraft Trinnwillershagen Entwicklungsgesellschaft, GmbH	Development of wind farms	-	Germany	50%
Sistems Electrics Esplugas, S.A.	Operation of wind farms	-	Barcelona	50%
9Ren España, S.L.	Solar	-	Spain	49%
Kintech Santalpur Windpark Private Limited	Manufacturing and holding company	-	India	49%
Baja Wind LLC	Manufacturing and holding company	-	U.S.A	50%
Adwen Offshore S.L. and subsidiaries	Offshore Business	EY	Spain	50%

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

HEREBY CERTIFY:

That the text of the consolidated annual accounts for 2015 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., authorised for issue by the Board of Directors at its meeting held on 24 February, 2016, is the content in the preceding 87 sheets of unstamped paper, on the obverse only, and the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

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

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodriguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

Doña Sonsoles Rubio Reinoso
Member of the Board of Directors

José María Aldecoa Sagastasoloa
Member of the Board of Directors

Francisco Javier Villalba Sánchez
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Gema Góngora Bachiller
Member of the Board of Directors

Approval of the Chairman

Zamudio, February 24, 2016. In witness whereof

Ignacio Martín San Vicente
Chairman and CEO

D. Carlos Rodríguez-Quiroga Menéndez
Secretary of the Board of Directors

Activity Report

1

Company's evolution during the year

Having surpassed the 2015 objectives, gamesa is bringing forward and stepping up its commitments under the business plan 2015-2017e

Gamesa Corporación Tecnológica¹ ended 2015 with sound results, having exceeded its shareholder value creation commitment, which enables it to step up and bring forward the commitments adopted under its business plan 2015-2017E. Commercial activity remained strong, with order intake reaching 3,883 MW in the year, 17% more than in 2014, in line with the upper end of the range committed in the business plan for 2017². The order book stood at 3,197 MW, 28% more than at 2014 year-end, and covered 71%³ of sales guidance for 2016.

Revenues amounted to €3,504 million in 2015, 23% more than in 2014, and underlying EBIT pre-Adwen totalled €294 million⁴, a 54% year-on-year increase, while the EBIT margin was 8.4%, i.e. 1.7 percentage points better than in 2014. Underlying net profit pre-Adwen⁴ increased by 73% to €175 million.

As it locked in profitable growth, Gamesa continued to improve working capital, which declined by 84% year-on-year to 0.3%⁵ of revenues, over 2 percentage points lower than in 2014 (2.5%). As a result of profitable growth, control of working capital and focused capex, Gamesa generated €182 million⁶ in net free cash flow in 2015 and ended the year with a net cash position of €301 million on the balance sheet, in line with its goal of prioritising a sound balance sheet against a backdrop of expanding activity. The creation and consolidation of Adwen, the joint venture with Areva to operate in the offshore business, had a positive impact of €29 million on EBIT but a negative impact of €5 million on net profit. Including this impact, EBIT amounted to €323 million and net profit to €170 million.

Consolidated key figures 2015

- Revenues: €3,504 million (+23.1% y/y)
- Underlying EBIT pre-Adwen⁴: €294 million (+54.1% y/y)
- Underlying net profit pre-Adwen⁴: €175 million (+73.2% y/y)
- Net financial debt⁷ (NFD) : -€301 million (-0.6x EBITDA⁸)
- MWe sold: 3,180 MWe (+21.3% y/y)
- Firm order intake: 3,883 MW (+17.1% vs. 2014)

1 Gamesa Corporación Tecnológica engages in wind turbine manufacture, which includes the development, construction and sale of wind farms, as well as operation and maintenance services.

2 Volume of activity projected for 2017 under the business plan 2015-2017E: 3,500 MWe-3,800 MWe.

3 Activity volume coverage calculated on the basis of volume guidance for 2016 of 3,800 MWe (guidance for 2016: >3,800 MWe).

4 EBIT and net profit are expressed net of €29 million and -€5 million, respectively, in 2015 in connection with the creation and recognition of Adwen (equity method). Variations with respect to the 2014 numbers are calculated by excluding those items in 2015. EBIT and net profit in 2014 exclude €9 million in special provisions.

5 Ratio of working capital to revenues in the last twelve months.

6 Net free cash flow before dividend payments, amounting to €23 million.

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

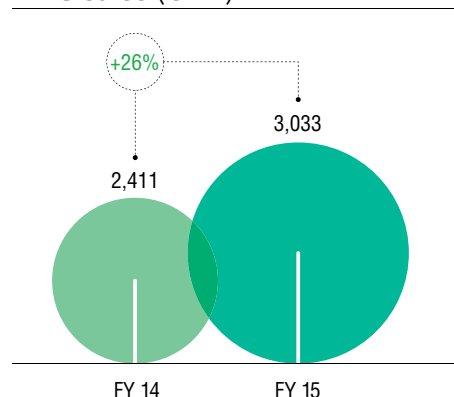
8 Underlying EBITDA pre-Adwen 2015.

Gamesa Corporación Tecnológica ended 2015 with revenues of €3,504 million, a 23% increase over 2014, due to strong growth in wind turbine manufacturing and sales.

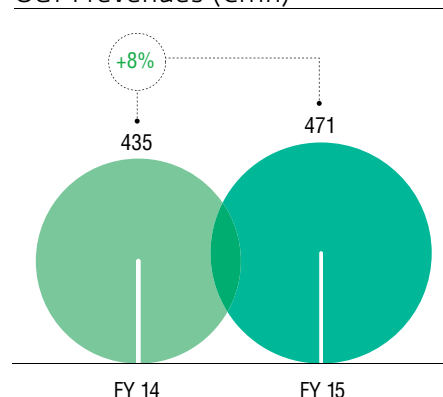
Revenues in the Wind Turbine Generator (WTG) division increased by 26% y/y, to €3,033 million, due to growth in volume, favourable currency performance, and the launch of new products such as the G114-2.0 MW and G114-2.5 MW, as well as taller towers. Volume increased by 21% year-on-year to 3,180 MWe, supported by a recovery in sales in Europe and China and growth in India. In terms of customer types, electric utilities and others (industrial groups and promoters) were the main growth drivers (+27% and +28% y/y, respectively), followed by IPPs (+15% y/y).

Revenues from O&M services amounted to €471 million, i.e. 8% higher than in 2014, supported by 6% y/y growth in the average post-warranty fleet under maintenance and higher sales of value-added products, but offset by a reduction in the sale of spare parts.

WTG sales (€mn)



O&M revenues (€mn)



Revenue growth was supported by Gamesa's strong commercial activity in a context of rising demand worldwide. This global growth was driven by the recovery in the US market, acceleration of installations in China, commissioning of offshore installations in Germany and double-digit growth in emerging wind markets, such as India, Brazil and Mexico, where Gamesa has a strong position.

Gamesa's sound competitive position, supported not only by a diversified geographical footprint (presence in 54 countries) but also by an extensive customer base, a portfolio of products and services aimed at maximising the return on wind assets, and a presence throughout the wind value chain, enabled the company to leverage the rising trend in order intake. Gamesa signed orders for 3,883 MW⁹ in 2015, 17% more than in 2014, including 1,042 MW signed in the fourth quarter, 4% more than in the third quarter of 2015. The book-to-bill ratio¹⁰ in 2015 was 1.22x, and the order book at 2015 year-end stood at 3,197 MW, 28% more than at 2014 year-end. This volume of orders enabled Gamesa to begin 2016 with 71% of its sales target already covered¹¹, i.e. seven percentage points more than the corresponding level at 2014 year-end.

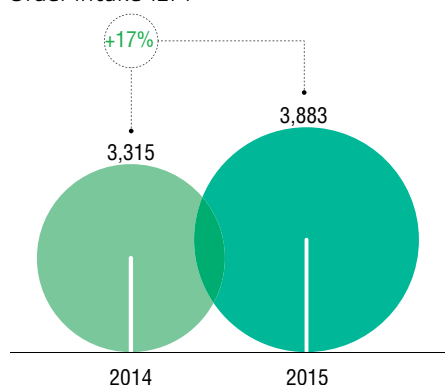
⁹ Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in 4Q 2015 (604 MW) that were announced individually in 1Q 2016.

¹⁰ Ratio of order intake to sales in the period (MWe).

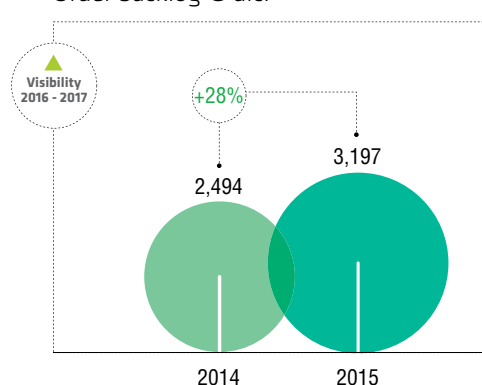
¹¹ Coverage calculated on the basis of volume guidance for 2016: > 3,800 MWe.

Order intake and order book 2014-15 (MW)¹

Order intake 12M



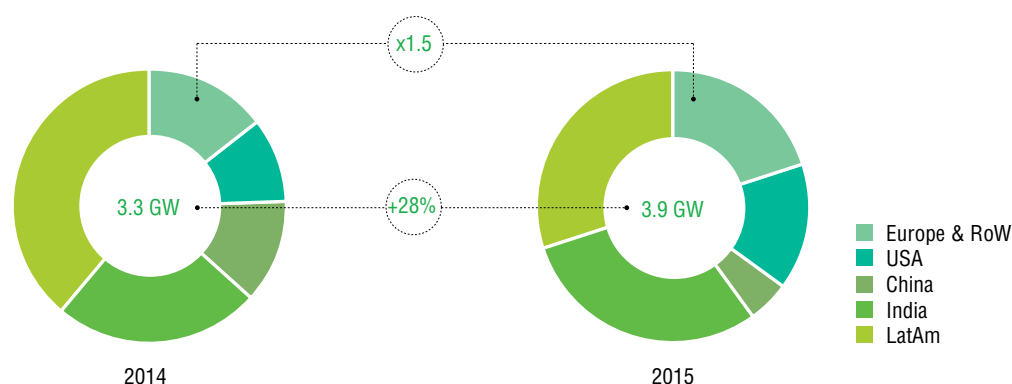
Order backlog @ dic.



¹ Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes 604 MW in orders signed in 2015 and announced in the first quarter of 2016.

Order intake in 2015 included a strong contribution from new generations of products, the G114 2.0-2.5 MW, whose contribution rose from 26% of order intake in 2014 to 50% in 2015. In geographic terms, there was a 45% surge in demand from mature markets—the US and Europe/RoW—with respect to the 2014 order intake, accounting for 30% of total order intake (24% in 2014). Latin America and India continue to be the main drivers. India experienced a 54% y/y increase in orders to account for 34% of total intake, while order intake in Latin America ex. Brazil doubled.

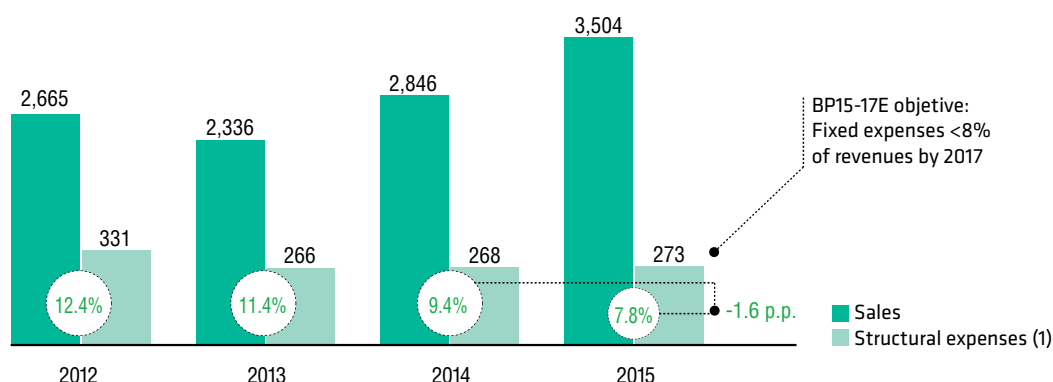
Geographical breakdown of order intake in 2015 vs. 2014



In this context of growing activity, Gamesa remained focused on controlling structural costs so as to maintain a low break-even point. As a result, at 2015 year-end, structural expenses¹² amounted to 7.8% of revenues; accordingly, the company has already achieved the objective for 2017 in its business plan.

¹² Fixed expenses excluding depreciation and amortisation.

Structural expenses ¹ (€mn)

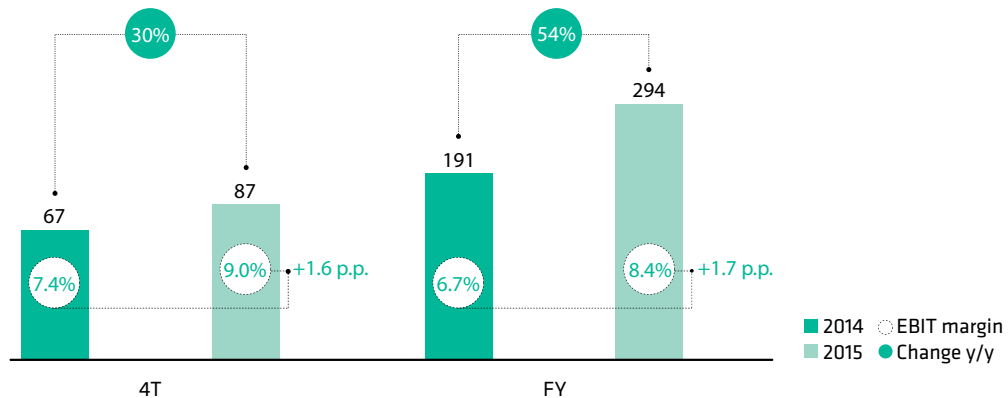


¹ Structural expenses with a cash impact (excluding D&A)

Control of fixed costs, together with the on-going optimisation of variable costs, has enabled Gamesa to offset a lower relative contribution to group revenues from O&M by enhancing returns in the manufacturing business and steadily increasing total operating profitability. The improvement in profitability was also favoured by a positive exchange rate impact, which contributed 0.6 percentage points to the improvement in operating profitability ratios in the period. As a result, Gamesa ended 2015 with an underlying EBIT margin pre-Adwen of 8.4%¹³, nearly two percentage points (+1.7 pp) higher than in 2014, while underlying EBIT pre-Adwen amounted to €294 million¹³, 54% more than in 2014. Profitability was particularly strong in the fourth quarter, with a 9% EBIT margin, while the exchange rate impact declined, accounting for just 0.1% of the improvement in EBIT margin in the quarter.

¹³ EBIT and EBIT margin in 2015 excluding non-recurring impact of capital gains from the creation of the joint venture Adwen, which amounted to €29 million in 1Q 2015 (no impact in the remainder of 2015).

EBIT (€mn)¹



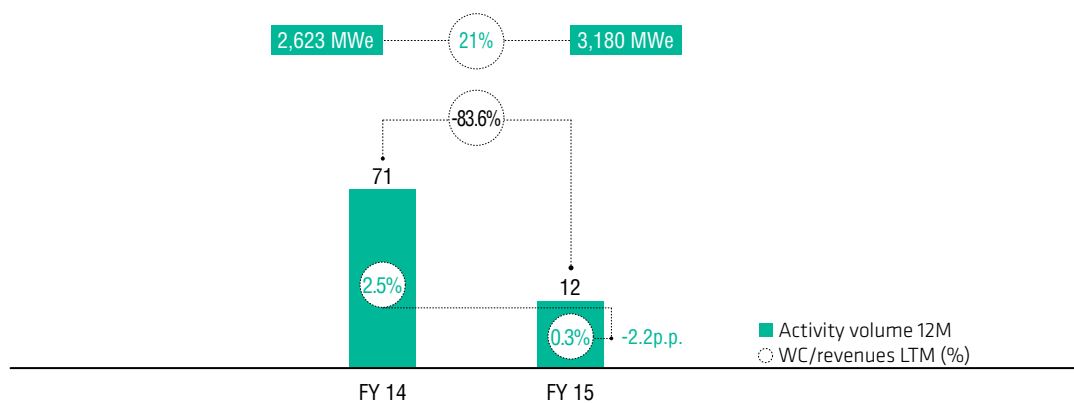
¹ EBIT excluding impact of creating and consolidating Adwen in 2015 (€29mn in Q1 2015) and non-recurring provisions in 2014 (€9,4mn in Q4 2014)

As a result of firming growth in volume and revenues and of rising business profitability, Gamesa's underlying net profit pre-Adwen increased by 73% in 2015 to €175 million¹⁴.

The launch and commissioning of Adwen, the joint venture to operate in the offshore segment, had a non-recurring impact on Gamesa's EBIT and net profit. The impact on EBIT was €29 million, recognised in the first quarter of 2015, which raised reported EBIT in 2015 to €323 million, while the impact on net profit, -€5 million, reduced reported net profit to €170 million.

Gamesa continued to improve management of working capital, reducing average working capital by €98 million in 2015, ending 2015 with €12 million, equivalent to 0.3% of revenues, i.e. over two percentage points lower than in 2014.

Reduction in working capital

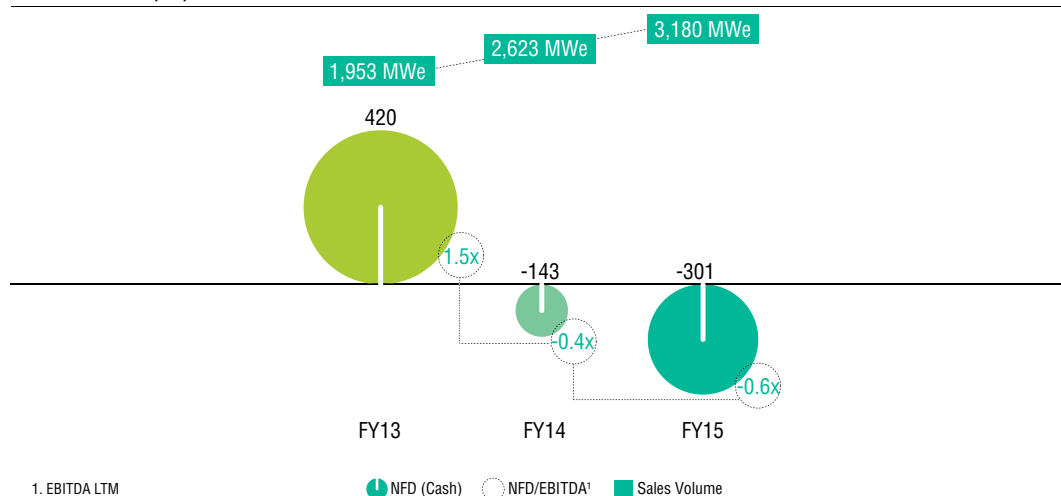


¹⁴ Recurring net profit pre-Adwen, excluding a €5 million negative impact of recognising Adwen in 2015.

Continuing with a modular capex policy tailored to growth needs, Gamesa invested €168 million in fixed assets in 2015, i.e. 4.8% of revenues, in line with the target range for the year (4%-5% of revenues).

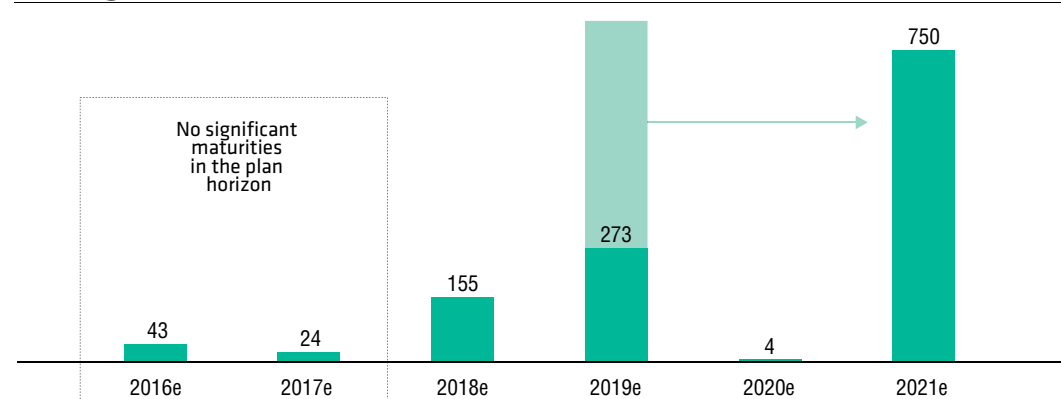
Control of the investment, in a context of profitable growth, enabled Gamesa to generate €182 million¹⁵ in cash in 2015, ending the year with a net cash position of €301 million on the balance sheet, equivalent to -0.6 times EBITDA¹⁶, compared with €143 million net cash at 2014 year-end, fulfilling the goal of a sound balance sheet.

NFD trend y/y (€mn)



In December, Gamesa extended the maturity and improved the terms of its €750 million syndicated loan. Maturity was extended from 2019 to 2021, which increased the average duration of the group's borrowings; it still has no major maturities within the horizon of the 2015-17E business plan. At 31 December 2015, Gamesa had access to €1,770 million in financing lines.

Funding line maturities² (€mn)



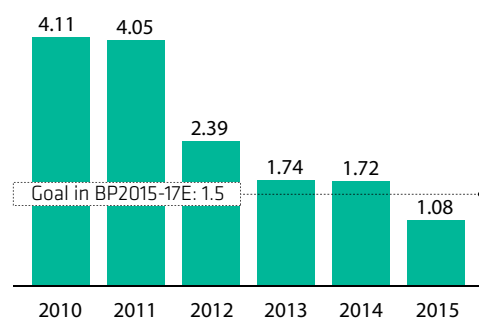
² Excluding bilateral credit accounts that mature and are renewable from year to year

¹⁵ Net free cash flow before dividend payments (€23 million).

¹⁶ Recurring EBITDA pre-Adwen 2015.

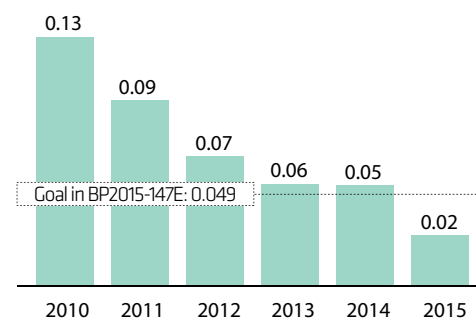
In the context of fulfilling its targets and steadily improving performance, Gamesa also met its goals in the area of workplace health and safety, continuing to improve accident frequency and severity indices ahead of the goals set for the end of the business plan.

Frequency index¹



¹Frequency index: No. of accidents with days lost * 10⁶/No. of hours worked

Severity index²



²Severity index: No. of days lost * 10³/No. of hours worked

As a result, Gamesa ended 2015 having exceeded all its commitments while maintaining its focus on creating shareholder value.

	2014	2015	Guidance 2015	
Volume (MWe)	2,623	3,180	c.3.100	✓
Revenues (MM €)	2,846	3,504	c.3.400	✓
EBIT margin ¹	6.7%	8.4%	≥8%	✓
WC/revenues	2.5%	0.3%	<5%	✓✓
Capex/revenues	3.1%	4.8%	4%-5%	✓
ROCE	11%	17%	≥WACC+4%	✓✓
Dividend proposal: Pay out ratio		25%	≥ 25%	

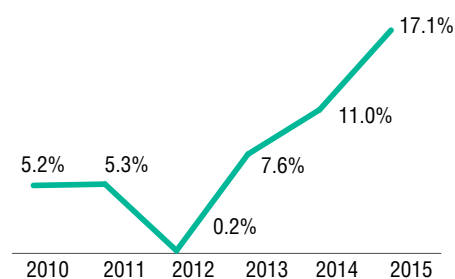
Profitable growth: revenues +23% y/y and EBIT +54% 2015 vs.2014

Control of capital consumption and capex

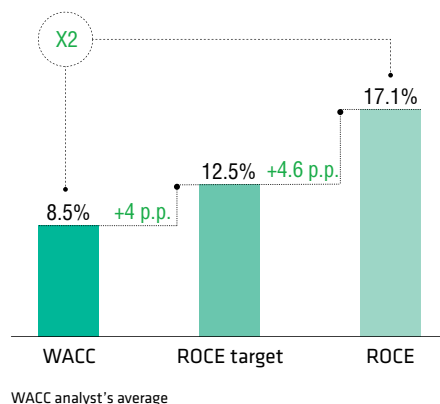
Creating value

Dividends resumed

ROCE



ROCE 2015 vs. WACC



Main factors

Activity

In 2015, Gamesa sold 3,180 MWe, 21% more than in 2014. This growth was driven mainly by India, China and Europe, while the contribution by customer type was relatively stable with respect to 2014.

	12M 2014	12M 2015	CHG.
WTG sold (MWe)	2,623	3,180	21.3%

Geographical breakdown of wind turbine sales (MWe) (%)

	12M 2014	12M 2015
USA	15%	11%
China	9%	13%
India	26%	29%
Latin America	34%	27%
Europe and RoW	16%	18%
TOTAL	100%	100%

Activity in 2015 was concentrated in the Gamesa 2.0 MW segment, which represented 98% of total MW sold, compared with 97% in the same period of 2014. The Gamesa G114 2.0 MW platform accounted for 24% of activity in the period, compared with 6% in 2014, evidencing the new platforms growing importance.

In the services division, Gamesa had 20,973 MW under operation and maintenance, slightly more than at the end of 2014. Growth in the fleet under maintenance came mainly from emerging markets India and Brazil, which offset a decline in mature markets. The average post-warranty fleet under maintenance increased by 6% in the year.

	12M 2014	12M 2015	CHG.
MW under operation and maintenance at end of period	20,770	20,973	1.0%

Profit & Loss

Revenues amounted to €3,504 million in 2015, 23% more than in 2014. This increase was due mainly to sales by the WTG division.

The main drivers of growth in WTG revenues (which increased by 26% year-on-year) are:

- +21% increase in volume
- Currency appreciation compared with average rates in 2014 (6% positive impact)
- Increase in the average price of WTGs due to larger rotors and higher towers, partially offset by a greater contribution to total sales by China and India

Services revenues increased by 8.2% with respect to 2014. Revenues performed in line with growth in the average post-warranty fleet under contract in 2015 (+6% vs. 2014) and the increase in value-added services, partly offset by lower sales of spare parts.

Gamesa ended 2015 with underlying EBIT pre-Adwen of €294 million. The EBIT margin trended upwards during the year, to 9% in the fourth quarter, and stood at 8.4% in the full year (vs. 6.7% in 2014). EBIT performance is attributable to:

- higher volumes (+1.5 percentage points)
- fixed cost performance (-0.1 p.p.),
- contribution margin performance (-0.3 p.p.)
- currency performance (+0.6 p.p.)

The lower contribution margin in 2015 was due to the lower contribution by Operation & Maintenance to total revenues (13% vs. 15% in 2014), and to booking provisions for impairment of the development pipeline (no ordinary provisions in 2014). Programmes to optimise variable costs and retain quality leadership offset the tensions caused by growth, capacity expansion and the learning curve associated with new products.

The exchange rate impact trended in line with projections at the beginning of the year (+/- 0.5 percentage points), falling steadily as the year advanced to reach 0.1 percentage points in the fourth quarter. The steady decline in the currency impact in 2015 was expected because of the company's dynamic hedging policy and greater localisation of component procurement.

Net financial expenses in the period amounted to €33.5 million, down from €42 million in 2014, while exchange losses amounted to €10.6 million, compared with exchange losses of €4 million in 2014, due to greater currency volatility in 2015, particularly in the third quarter.

The tax expense (pre-Adwen) amounted to €68 million, equivalent to a marginal rate of 27%, in line with 2014 and within the guidance range for the year.

As a result, underlying consolidated net profit before Adwen totalled €175 million (€101 million in 2014).

The impact on consolidated profit of recognising Adwen (no impact on cash flow) was as follows:

- Capital gain: €29.2 million
- Equity-accounted income from the 50% stake in Adwen since March: -€26.0 million
- Tax expense estimate: -€8.2 million
- Total impact on net profit: -€5 million

As a result, including Adwen, EBIT amounted to €323 million, while net profit totalled €170 million.

Balance sheet

As reflected by the main balance sheet indicators, Gamesa maintained a sound financial position in a context of rising activity.

	12M 2014	12M 2015
Working capital/Revenues	2.5%	0.3%
NFD/EBITDA	-0.4x	-0.6x
ROCE	11.1%	17.1%

The impact on the balance sheet of including Gamesa's 50% stake in Adwen is summarised below:

- Net assets contributed to Adwen and derecognised on Gamesa's balance sheet, and transaction costs: €165.8 million (mainly property, plant and equipment and intangibles).
- Value assigned to the contribution recognised on Gamesa's balance sheet: €195 million (€100 million for the equity-accounted 50% stake in the Adwen joint venture, and €95 million in non-current financial assets, i.e. the shareholder loan).

Consolidated Income Statement and Balance Sheet, Key Figures

(€ million)	12M 2014	12M 2015	CHG.
Revenues	2,846	3,504	+23.1%
Underlying EBITDA pre-Adwen	366	520	+42.1%
Underlying EBITDA pre-Adwen /Revenues (%)	12.9%	14.8%	+2.0pp
Underlying EBIT pre-Adwen	191	294	+54.1%
Underlying EBIT pre-Adwen/Revenues (%)	6.7%	8.4%	+1.7pp
EBIT	181	323	x1.8
EBIT/Revenues (%)	6.4%	9.2%	+2.8pp
Profit (Loss) pre-Adwen	101	175	1.7x
Profit (Loss)	92	170	1.9x
NFD	-143	-301	-159
Working capital	71	12	-60
Capex	109	168	+59

In 2015, in line with the modular capex strategy presented in the business plan 2015-17, Gamesa invested €168 million in property, plant and equipment and intangible assets to cater for expected demand growth, new product launches and operation and maintenance services. In addition to R&D expenditure, Gamesa invested in logistics, tooling, and blade capacity—both new capacity and product replacement due to the introduction and strong penetration by the G114 (2 MW and 2.5 MW) and G126 (2.5 MW) generators—in all regions where it operates.

2

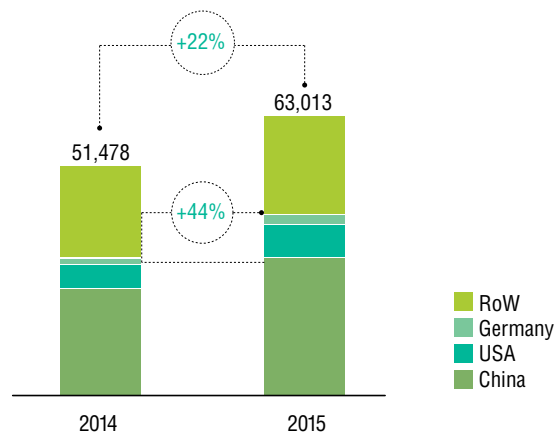
Outlook

Market

Growth in installations in 2016-17 will continue to be concentrated in emerging markets, where Gamesa has a sound competitive position

The year 2015 saw a record volume of installations: 63,013 MW¹⁷, as a result of peak levels in China, the US and Germany. These high volumes were the result of specific events that are not expected to recur in the immediate future. In 2015, growth in onshore installations in China (30,500 MW¹⁷, +31% y/y) and the US (8,598 MW¹⁷, +77% y/y) accounted for 70% of gross annual growth and 60% of total onshore installations. In both markets, projects were accelerated by the prospect of regulatory changes: a reduction in feed-in tariffs for wind farms commissioned after 2016 in China, and uncertainty as to whether tax incentives for wind power production would be extended in the US. Germany connected 2,282 MW of offshore¹⁷ capacity, i.e. 62% of total offshore capacity installed in 2015, compared with 543 MW in 2014, due to overcoming grid connection problems, which enabled projects that had been delayed since 2013 to be commissioned.

Wind installations worldwide (MW)



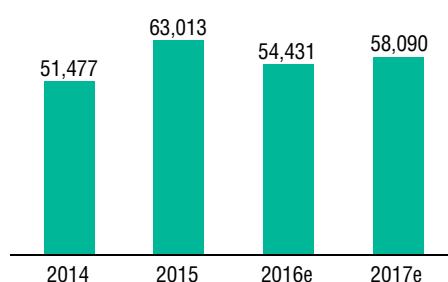
The deceleration projected in the pace of installations in 2016-17E is due to the expectation that those three markets will return to more normal levels in those years. However, despite the global deceleration, it is important to note that growth is expected in other geographies, particularly in non-mature markets, where Gamesa has a sound competitive position. In particular, the Asia-Pacific region, excluding China, is expected¹⁸ to register 22% growth (CAGR 15-17E), Latin America, 7% and Africa & the Middle East, 65%. Within Asia-Pacific ex-China, India, which ranks first in terms of new

¹⁷ Global Wind Energy Council (GWEC).

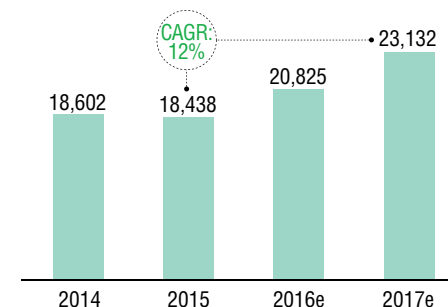
¹⁸ Source of market projections for 2016E-17E: MAKE (Global Market Outlook Update for 4Q 2015 and update for US market in January 2016, after the multiannual PTCs extension).

installations (2,623 MW, i.e. 84% of the 2015 total), expects 18% growth in that period; within Latin America, Mexico, which ranked second in 2015 (714 MW, 16% of the total installations in the year), expects 31% growth in the period (CAGR 15-17E). Gamesa has a leading position in both countries.

Wind installations worldwide (MW)



Wind installations ex. China, US & Germany (MW)

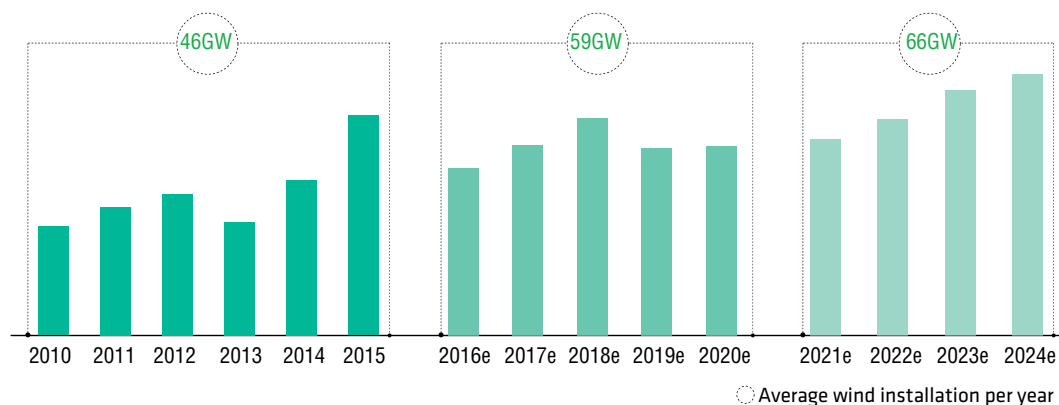


Source: MAKE Q4 Market Outlook Update, including US market update January 2016; Installations 2014-15: GWEC

Regulatory decisions and renewable commitments made in 2015 which support stable long-term growth in wind demand

Beyond the immediate term, regulatory developments and renewable commitments made in 2015 support stable long-term growth in demand; the average pace of installation is expected to rise from 46GW per year in 2010-2015 to 66 GW in 2021-2024E¹⁹.

Wind installations worldwide (MW)



Source: MAKE 4Q 2015 inc. including US market estimates January 2016 historic data from GWEC

Among the regulatory decisions and renewable commitments, those made during COP21 are particularly important, as is the extension of the tax incentives for wind production in the US, both of which occurred in the fourth quarter of 2015.

¹⁹ Source of market projections for 2015E-2024E: MAKE (Global Market Outlook Update for 4Q 2015 and update for US market in January 2016, after the PTCs were extended for several years). Source of historical data: Global Wind Energy Council (GWEC).

COP21: global agreement to limit the temperature rise

During COP21, held in Paris from 30 November to 15 December 2015, a global agreement was reached to limit the increase in the world's average temperature to 2°C with respect to pre-industrial levels, with efforts being made to achieve an even lower increase: 1.5°C. Climate change is recognized as an urgent and potentially irreversible threat to society and the planet that requires swift and concerted global action in which the reduction of greenhouse gases plays a key role.

To achieve the objective of controlling the temperature rise, the 195 signatory countries undertook to reach peak greenhouse gas emissions as soon as possible and then reduce them as quickly as possible in the context of sustainable development.

Before the COP 21, 186 countries sent their voluntary commitments to reduce GHG emissions (INDCs) that served as basis for the negotiations. These INDCs will be reviewed every five years and adjusted upwards as far as possible, the objective being to keep the global temperature rise below 2°C.

Among the proposals for reducing emissions of greenhouse gases, more than one hundred countries mentioned the increase in the share of renewable energies in their energy mix and seventy specifically mention wind power, with some even proposing specific targets. China, the world's largest wind market, plans to achieve 200 GW in total installed capacity by 2020; India, the second-largest wind market in Asia in terms of installed capacity, plans to reach 60 GW by 2022; Turkey, one of the fastest-growing wind markets and the largest in the EMEA region, targets 16 GW by 2030, while Morocco, one of the main markets in North Africa, plans for wind to contribute 14% of its energy mix in 2020.

The agreement recognizes that the developed countries must lead this process and that it will take longer for developing countries. There is a continuing need to contribute to financing actions (financial mechanism) to mitigate the effects of climate change in developing nations through, inter alia, a fund to which the minimum annual contribution is €100 billion until 2025 when it will be revised. In addition to the financial mechanism, a technology mechanism was established to facilitate the transfer of technology between signatory countries in order to reduce emissions. Additionally, a cooperation mechanism was created to enable a country to voluntarily reduce its emissions in another country to reach its objective. This mechanism have similarities with the existing "Clean Development Mechanism" that allows countries to reduce GHG emissions by investing in such projects in developing countries.

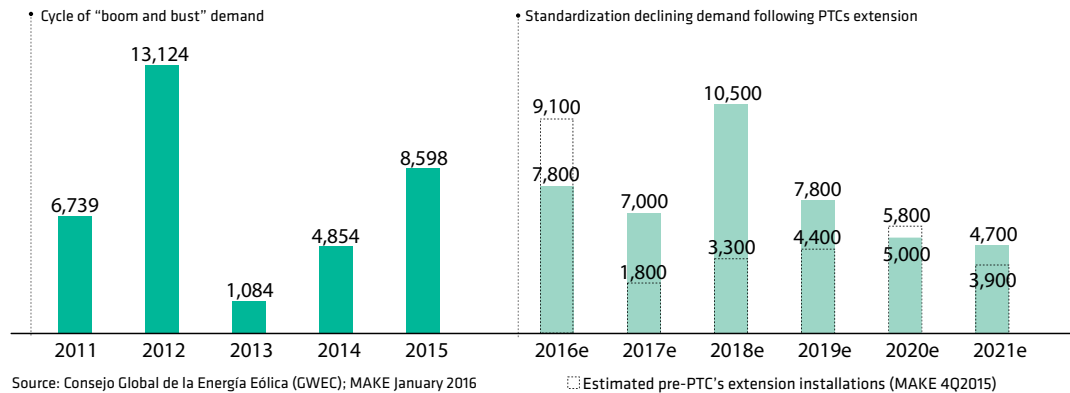
USA: Extension of tax credits for wind production²⁰

Demand in the US has been subject to fluctuations due to the fact that the main incentive mechanism –production and investment tax credits (PTCs and ITCs)– were available for relatively narrow time windows, which reduced visibility with respect to investment decisions for the medium and, above all, long term. These demand fluctuations were particularly intense in 2011-2015, as the incentive expired in 2012 and was renewed for annual periods in 2013 and 2014 (the latter retroactively).

In this context, the decision adopted on 18 December to extend the tax credits for five years, over which they would gradually tail off, is clearly positive for wind investment in the US. Not only does it pave the way for relatively normal demand development in the future, but it also greatly increases the prospects of new installations.

²⁰ US incentive mechanisms for renewable energy: production tax credits (PTC) and investment tax credits (ITC).

Wind installations in the US (MW)



The incentives will tail off gradually on the basis of the year in which construction commences: by 20% per year to zero in 2020. Only projects whose construction commences in 2016 qualify for 100% of the incentive (23 USD/MWh for 10 years). Between 2017 and 2019, the incentive will be reduced by 20% per year.

Start of construction	2016	2017	2018	2019	2020
PTC ²⁰ (Base=23 USD/MWh)	100%	80%	60%	40%	0%

It is important to note that the IRS²¹, which supervises the tax credits, has yet to clarify the two conditions that projects must fulfil to qualify for the incentives:

- “Start of construction”, which in previous extensions included not only current commencement but also investment of 5% of the total project cost by, for example, purchasing the WTCs or substation for the project.
- “Continuous progress”: under previous extensions, it was sufficient for the project to enter into service within two years from commencing construction. Lags of more than two years required presentation of additional documentation evidencing “continuous progress”.

Subject to those clarifications, projects commissioned before 2019 (whose construction commences in 2016) will receive 100% of the incentive; those commissioned in 2019 (whose construction commences in 2017) will collect 80%; and successively up to 2021.

²¹ IRS: Inland Revenue Service.

Commercial operation date (COD) ²²	2016-2018	2019	2020	2021	2022
PTC ²⁰ (Base=23 USD/MWh)	100%	80%	60%	40%	0%

In addition to the extension of tax credits for wind production, offshore projects qualify for investment tax credits (ITC), which will also be phased out. Projects whose construction commences in 2016 will qualify for a 30% investment tax credit. The credit will be 24% for projects whose construction commences in 2017, 18% for those commencing in 2018, and 12% for those commencing in 2019.

2016 Guidance

2015 performance aligned with the priorities in the BP 2015-17.

In this favourable environment for demand in the short, medium and long term, Gamesa ended 2015 fully aligned with the priorities defined in its BP 2015-17E, in terms of both finances and management:

- Seizing growth opportunities, due to its sound competitive position in non-mature markets, with the result that revenues increased by 23% y/y to €3,504 million and the order book reached 3,197 MW at year-end, 28% higher than at the end of 2014. The order book and strong commercial activity provide a high degree of visibility for the volume targets this year.
- Controlling structural expenses and steadily improving variable expenses, which enabled Gamesa to:
 - fulfil in 2015 its 2017 goal of reducing fixed costs to below 8% of revenues,
 - offset the tensions caused by growth in emerging markets, new product launches and bringing new capacity on stream, and offset the lower revenue contribution from services with higher levels of profitability,
- to end the year with rising profit margins: the underlying EBIT margin pre-Adwen was 8.4%, 1.7 percentage points higher than in 2014.
- Maintaining a sound balance sheet due to profitable growth and control of working capital and capex, which enabled it to end the year with a net cash position of €301 million, while working capital amounted to 0.3% of revenues and capex to 4.8% of revenues.
- Working to boost the competitiveness of the product and service pipelines, improving our position in mature markets with the launch of the 3.3 MW platform, which was presented at the Paris fair. The addition of the new platform gives Gamesa access to 100% of the onshore market and improves its competitive position in markets where 3 MW machines predominate, such as Canada, South Africa, Australia and Northern Europe.
- Finally, Gamesa advancing steadily to seek additional growth and value-creation opportunities beyond 2017, entering the offshore business by creating Adwen in 2015 and the beginning of solar photovoltaic activity in India, through the signature of contracts to develop 59 MW of solar projects; the first project (11 MW) has already been delivered.

Making it possible to step up the commitments for 2017 and bring them forward.

²² COD: Commercial Operation Rate.

The result is that Gamesa has improved on the commitments made in the business plan 2015-17 and brought them forward to 2016: more profitable growth, while keeping capex and working capital under control, with the ultimate goal of accelerating shareholder value creation and paying attractive remuneration.

Gamesa now targets double-digit growth, above 19%, to achieve a volume of over 3,800 MWe and underlying EBIT pre-Adwen above €400 million²³, equivalent to over 36% annual growth and an EBIT margin above 9%²³.

In this context of growing beyond initial expectations, Gamesa will maintain its modular capex plan in tune with demand, with a capex goal that is similar to the 2015 objective: 4% to 5% of revenues. However, it has halved its working capital target: from 5% to 2.5% of revenues. In contrast with past trends, Gamesa expects both volume and profitability to be slightly stronger in the first half of 2016.

	2015	2016 Guidance ¹	2017 Guidance	
Volumen (MWe)	3,180	>3,800	3,500-3,800	More profitable growth: activity >19%; operating profitability ≥36%
EBIT recurrente	294	>400	c.362	
Margen EBIT	8.4%	≥9%	>8%	
Circulante s/Ventas	0.3%	≤2.5%	<5%	Keeping capex and working capital under control
Capex s/Ventas	4.8%	4%-5%	<3.5%	
ROCE	17%	Rising y/y	Rising y/y	Accelerating value creation
Dividen proposal: Pay Out Ratio	25%	≥25%	≥ 25%	Offering attractive remuneration

1 At January-February 2016 average exchange rate and assuming no change in consolidation scope.

Conclusions

In a context of rising global demand, in which Gamesa's competitive position is improving, the company ended 2015 with growth, profitability and balance sheet numbers that surpassed its commitments for the year and provided a 17% return on capital employed, 6 percentage points more than in 2014 and double the company's weighted average cost of capital²⁴.

Revenues amounted to €3,504 million, i.e. 23% higher than in 2014, with an underlying EBIT margin of 8.4%²⁵, i.e. 1.7 percentage points more than in 2014. Favourable currency performance accounted for 5% growth in revenues and a 0.6-point increase in the margin. In absolute terms, and excluding Adwen, EBIT amounted to €294 million, 54% more than in 2014, while net profit excluding Adwen increased 1.7-fold to €175 million²⁶.

The company's sound competitive position was reaffirmed by sustained strong commercial activity, as order intake increased by 17% y/y to 3,883 MW in 2015, in line with the upper limit of the business plan target for 2017. The order book at the end of December 2015 stood at 3,197 MW, 28% more than a year earlier and covering 71%²⁷ of the sales volume projected for 2016, i.e. 7 percentage points more than the corresponding figure at 2014 year-end.

23 At 2015 average exchange rate and assuming no change in consolidation scope.

24 Weighted average cost of capital: 8.5% based on average from analysis firms and internal calculations.

25 Excluding the impact of creating and booking Adwen on EBIT (€29 million) and net profit (-€5 million).

26 Coverage calculated as orders for activity in 2016 with respect to the volume guidance for 2016 (>3,800 MWe).

27 Guidance at average January-February exchange rate and assuming no change in consolidation scope.

While increasing revenues and profitability, Gamesa continues to prioritise a sound balance sheet by controlling both working capital and capex. Against a backdrop of rising activity, Gamesa reduced working capital by 84% with respect to the end of 2014 and improved the working capital/revenues ratio by over 2 percentage points, to 0.3%. This reduction in working capital, together with greater operating cash flow and capex planning tied to growth, enabled Gamesa to end 2015 with a net cash position of €301 million, equivalent to an NFD/EBITDA ratio of -0.6x.

The fact that Gamesa exceeded its goals for 2015, coupled with its solid competitive positioning and a management focus on shareholder value creation, have enabled the company to increase its goals for 2017 and bring them forward to 2016²⁷. Strong commercial activity, reflected in the order intake reaching the high end of the volume range projected for 2017, makes it possible to project activity exceeding 3,800 MW in 2016. Growth in activity, control of structural expenses and ongoing cost optimisation make it possible to increase absolute profitability goals by 10% with respect to the initial target for 2017 and by 36% with respect to 2015, to €400 million, equivalent to a margin of at least 9%. Gamesa maintains its commitment to a sound balance sheet, which it will fulfill through strict control of working capital, which is targeted not to exceed 2.5% of revenues; capex will continue to be driven by the company's growth needs while remaining approximately in line with 2015 as a percentage of revenues. The company also undertakes to maintain an attractive remuneration policy, with a pay-out ratio of 25%²⁸ or higher; the final amount will depend on additional growth and value creation opportunities that are within the company's reach.

3

Main business risks

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

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

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

4

Use of financial instruments

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

28 Subject to a proposal by the Board and approval by the Shareholder's Meeting.

5

Subsequent events

There were no significant events subsequently to the year end.

6

Research and development activities

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

In 2015, the main increase in the the section “Research development costs” of the Intangible Assets was due to the development of Gamesa Innovation and Technology, S.L. of new wind turbine models and to the optimisation of the performance of their components amounting, in total for the entire Group, approximately €44,234 thousands (approximately €49,766 thousands in 2014).

7

Treasury share operations

At December 31, 2015 Gamesa holds a total of 3,116,702 treasury shares representing 1.116% of share capital.

The total cost for these treasury shares amounts €46,244 thousands, each with a par value of €14,837.

A more detailed explanation of transactions involving treasury shares is set out in Note 18.E of the Notes to the Consolidated Financial Statements at December 31, 2015.

8

Capital structure

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

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

SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information in the possession of GAMESA CORPORACION TECNOLOGICA, S.A. the capital structure at December 31, 2015 is as follows:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% total voting rights
IBERDROLA, S.A.		54,977,288-	19.686
BLACKROCK, INC.		8,397,066	3.007
FIDELITY INTERNATIONAL LIMITED		3,084,395	1.104

(*) Through:

Name of direct holder of the stake	Number of direct voting rights	% total voting rights

9

Restrictions on the transfer of shares

There are no restrictions on the transfer of shares.

10

Significant direct and indirect shareholdings

See point 8.

11

Restrictions on voting rights

There are no restrictions of any kind on voting rights.

12

Shareholder agreements

Gamesa Corporación Tecnológica, S.A. is not aware of the existence of any shareholder agreements.

Regulations applicable to the appointment and replacement of the members of the board of directors and amendment of the corporate by laws

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board of Directors will only be able to propose the resignation of an independent Director before the course of his mandate when it ends until fair cause, considered by the Board of Directors, on the motion of the Appointments and Remunerations Committee. Particularly, for having break

the inherent duties of its positions or for having incurred in any circumstance provided in the law as incompatible for the entrance to that category.

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

Rules applicable to the amendment of the Corporate By-laws

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

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

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

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

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

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

14

Powers of attorney of the members of the board of directors and, in particular, those relating to the possibility of issuing or repurchasing shares

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

The Board of Directors of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., at the meeting held on May 23, 2012, unanimously agreed, following a favourable report by the Appointments and Remuneration Committee to appoint Mr. Ignacio Martín San Vicente as Executive Chairman of the Board of Directors and Managing Director, delegating all powers corresponding to the Board of Directors pursuant to law and to the Corporate By-laws to him, with the exception of those that may not be delegated pursuant to law or to the Corporate By-laws. Mr. Martín San Vicente accepted his appointment at the same act.

Powers relating to the possibility of issuing or repurchasing shares

At the date of the approval of this Report, the authorization granted by the Annual General Meeting held on May 28, 2015 remains in force, pursuant to which the Board of Directors has powers to acquire treasury shares. There follows below a verbatim transcription of the resolution approved by the Meeting under item 9 of the Agenda.

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

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

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

Significant agreements entered into by the company and which come into force, are amended, or come to an end in the event of a change of control at the company as a result of a takeover bid, and the effects thereof, except where the disclosure thereof should be seriously prejudicial to the company. This exception shall not apply where the company should be under a statutory duty to make this information public

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

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

Finally, on December 17, 2015, Gamesa Energía, S.A.U. (as buyer) and GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. y FUNDACION TECNALIA RESEARCH & INNOVATION (as sellers) signed a Purchase-sale Agreement of social Shares which is subject to a condition precedent that regulates the acquisition of 50% of NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L. (NEM). The Condition Precedent consists of the authorization of the NATIONAL SECURITIES MARKET COMMISSION AND OF THE COMPETITION BOARD determined in the Article 71.c) of 15/2007 Law, of July 3, of The Commission of Protection of Competition. On the same date, and with aim of regulating the relations between Gamesa Energía and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as potential partners of NEM (in his case) the parties signed a Partner Agreement. According to the regulations gathered in the Partner Agreement, in the event of a change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A., Gamesa Energía, S.A.U. should offer to the rest of partners the direct acquisition of their shares in NEM.

Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid

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

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

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

HEREBY CERTIFY:

That the text of the consolidated management report for 2015 of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., authorised for issue by the Board of Directors at its meeting held on February 24, 2016, is the content of the preceding 23 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear my signature and that of the Chairman of the Board of Directors.

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

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodriguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
Member of the Board of Directors

Luis Lada Díaz
Member of the Board of Directors

José María Aracama Yoldi
Member of the Board of Directors

Sonsoles Rubio Reinoso
Member of the Board of Directors

Jose Maria Aldecoa Sagastasoloa
Member of the Board of Directors

Francisco Javier Villalba Sanchez
Member of the Board of Directors

Gloria Hernández García
Member of the Board of Directors

Andoni Cendoya Aranzamendi
Member of the Board of Directors

Gema Góngora Bachiller
Member of the Board of Directors

Approval of the Chairman

Zamudio, February 24, 2016. In witness whereof

Ignacio Martín San Vicente
Chairman and CEO

D. Carlos Rodriguez-Quiroga Menéndez
Secretary of the Board of Directors

**Auditor's report on information
relating to the internal
control over financial reporting
(ICFR) for 2015**

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Auditor's report on information relating to the internal control over financial reporting (ICFR) of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. for 2015

To the Directors,

At the request of the Board of GAMESA CORPORACIÓN TECNOLÓGICA, S.A. (hereinafter the Company), and in accordance with our proposal dated December 3, 2015, we applied certain procedures to the accompanying "ICFR-related information" included in the Corporate Governance Report, hereinafter CGR, (English version pages 71 to 85) for GAMESA CORPORACIÓN TECNOLÓGICA, S.A. and subsidiaries for 2015, which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Company's internal control system as a far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Company's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Company's 2015 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with Royal Decree 1/2011, dated July 1, enacting the revised Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR -which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular nº 5/2013 dated June 12, 2013.
2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Company.
3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the the Audit Committee.
4. Compare the information contained in section 1 above with the Company's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.
5. Read the minutes of the Board Meetings, Audit Committees, and other Company committees in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.
6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of the article 540 of the Corporate Enterprises Act, by Circular number 5/2013 of the Spanish National Security Market, dated June 12, 2013, related to the description of the ICFR in the Corporate Governance Report.

ERNST & YOUNG, S. L.

(Signed on the original)

Alberto Peña Martínez

February 25, 2016

ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY

The members of the Board of Directors of Gamesa Corporación Tecnológica, 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 December 31, 2015, issued at its meeting of February 24 2016, and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial conditions and the results of operations of Gamesa Corporación Tecnológica, 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 Gamesa Corporación Tecnológica, S.A. and of the subsidiaries included within its scope of consolidation, taken a whole, as well as a description of the principal risks and uncertainties facing them.

And in order that this way it consists to the opportune effects, the present declaration is sent in conformity with arranged in the article 8.1.b) of the Royal decree 1362/2007, of October 19.

February 24, 2016.

Ignacio Martín San Vicente
Chairman and CEO

Juan Luis Arregui Ciarsolo
Deputy Chairman

Carlos Rodriguez-Quiroga Menéndez
Secretary of the Board of Directors

José María Vázquez Eguskiza
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Member of the Board of Directors

Gema Góngora Bachiller
Member of the Board of Directors

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