

**Note on the translation to English-**

The translation to English of the following documents originally issued in Spanish follow:

- Report on limited review of the interim consolidated financial statements
- Interim Consolidated Financial Statements and the Notes thereto for the six-month period ended June 30, 2017 (except for Note 35 'Explanation added for translation to English')
- Interim Management Report for the six-month period ended June 30, 2017

In the event of discrepancy, the Spanish-language version prevails.

Report on Limited Review

SIEMENS GAMESA RENEWABLE ENERGY, S.A. and subsidiaries  
Interim Consolidated Financial Statements and Consolidated  
Interim Management 's Report for the six month period ended  
June 30, 2017

## REPORT ON LIMITED REVIEW OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Translation for the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

To the Shareholders of SIEMENS GAMESA RENEWABLE ENERGY, S.A.  
at the request of management:

### Report on the interim consolidated financial statements

#### *Introduction*

We have carried out a limited review of the accompanying interim consolidated financial statements (hereinafter the interim financial statements) of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (hereinafter the parent company) and subsidiaries (hereinafter the Group), which comprise the balance sheet at June 30, 2017 and the statement of profit and loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flow and the explanatory notes, all of which have been consolidated for the six-month period then ended. The parent's Directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by International Accounting Standard (IAS) 34, "Interim Financial Reporting", adopted by the European Union for the preparation of financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

#### *Scope of review*

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making enquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

#### *Conclusion*

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter has come to our attention which would lead us to conclude that the accompanying interim financial statements does not give a true and fair view, in all material respects, of the financial position at June 30, 2017 of SIEMENS GAMESA RENEWABLE ENERGY, S.A. and subsidiaries its results and cash flow for the six month period then ended in accordance with the requirements established by International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of interim financial statements.

Report on other legal and regulatory reporting requirements

The accompanying consolidated interim management report for the six-month period ended June 30, 2017 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned management report agrees with the interim financial statements for the six-month period ended on June 30, 2017. Our work is limited to verifying the consolidated interim management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of SIEMENS GAMESA RENEWABLE ENERGY, S.A. and subsidiaries.

Paragraph on other issues

This report has been prepared at the request of management of SIEMENS GAMESA RENEWABLE ENERGY, S.A. and subsidiaries with regard to the publication of the semi-annual financial report required by article 119 of Royal Decree Law 4/2015, of October 23, which approves the refunded text of Securities Market Law developed by Royal Decree 1362/2007, of October 19.

ERNST & YOUNG, S.L.

(signed on original in Spanish)

September 14, 2017

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

Interim Consolidated  
Financial Statements and Management's Report for the  
six-month period ended June 30, 2017

Translation of Interim Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 35)

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

	Note	06.30.2017	12.31.2016
<b>Assets</b>			
Cash and cash equivalents	16	1.475.144	148.223
Trade and other receivables	12	1.309.888	365.535
Other current financial assets	12	249.979	96.111
Receivables from Siemens Group	32	286.567	1.142.866
Inventories	14	3.604.009	1.647.892
Current income tax assets		106.692	-
Other current assets	27	473.129	63.595
<b>Total current assets</b>		<b>7.505.408</b>	<b>3.464.222</b>
Goodwill	8	4.418.476	164.848
Other intangible assets	9	2.525.266	38.841
Property, plant and equipment	10	1.578.234	868.940
Investments accounting for using the equity method	11	73.136	-
Other financial assets	12	305.373	71.779
Deferred tax assets	26	508.344	114.712
Other assets		103.014	65.888
<b>Total non-current assets</b>		<b>9.511.843</b>	<b>1.325.009</b>
<b>Total assets</b>		<b>17.017.251</b>	<b>4.789.231</b>
<b>Liabilities and equity</b>			
Debt	20	758.267	104
Trade payables	12	2.536.824	697.003
Other current financial liabilities	12	127.837	63.464
Payables to Siemens Group	32	244.547	110.218
Current provisions	22	617.571	359.768
Current income tax liabilities		140.477	5.416
Other current liabilities	27	2.749.982	1.964.988
<b>Total current liabilities</b>		<b>7.175.507</b>	<b>3.200.963</b>
Debt	20	481.012	1.723
Post-employment benefits	23	13.647	7.082
Deferred tax liabilities	26	791.094	46.891
Provisions	22	1.707.884	887.673
Other financial liabilities	12	218.988	40.732
Other liabilities	24	18.492	18.060
<b>Total non-current liabilities</b>		<b>3.231.118</b>	<b>1.002.162</b>
Issued capital	18.A	115.794	68.319
Capital reserve	18.B	5.931.874	-
Unrealised asset and liability revaluation reserve	18.C	50.460	21.971
Retained earnings		635.549	502.682
Treasury shares, at cost	18.E	(32.487)	-
Currency translation differences		(92.068)	(6.931)
Non-controlling interest	19	1.505	66
<b>Total Equity</b>		<b>6.610.627</b>	<b>586.107</b>
<b>Total Liabilities and Equity</b>		<b>17.017.251</b>	<b>4.789.231</b>

Translation of Interim Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 35)

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR  
THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016  
(Thousands of euros)

	Note	2017	2016
Revenue	29.A	4.209.351	3.182.719
Cost of sales		(3.643.057)	(2.662.029)
<b>Gross profit</b>		<b>566.294</b>	<b>520.690</b>
Research and development expenses		(101.691)	(100.787)
Selling and general administrative expenses		(257.983)	(146.723)
Other operating income		2.631	1.269
Other operating expenses		(12.307)	(3.327)
Income (loss) from investments accounted for using the equity method, net	11	(429)	-
Interest income	29.G	5.547	106
Interest expenses	29.H	(14.937)	(3.450)
Other financial income (expenses), net	29.F	(2.275)	(619)
<b>Income from continuing operations before income taxes</b>		<b>184.850</b>	<b>267.159</b>
Income tax expenses	25	(53.207)	(23.867)
<b>Income from continuing operations</b>		<b>131.642</b>	<b>243.292</b>
Income from discontinued operations, net of income taxes		-	-
<b>Net income</b>		<b>131.642</b>	<b>243.292</b>
<b>Attributable to:</b>			
Non-controlling interests	19	305	(65)
Shareholders of Siemens Gamesa Renewable Energy, S.A.		131.338	243.357
<b>Earnings per share in euros (basic and diluted)</b>	33	0,25	0,61

Translation of Interim Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 35)

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR  
 THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

(Thousands of euros)

	Note	2017	2016
<b>Net income (Consolidated Statement of Profit and Loss)</b>		<b>131.642</b>	<b>243.292</b>
<b>Items that may be subsequently reclassified into profit and loss</b>			
Currency translation differences		(85.137)	(531)
Derivative financial instruments	18.C	38.872	18.462
Tax effect	18.C	(10.895)	(5.826)
<b>Amounts transferred to profit and loss</b>			
Derivative financial instruments	18.C	615	(6.407)
Tax effect	18.C	(102)	46
<b>Other comprehensive income</b>		<b>(56.648)</b>	<b>5.745</b>
<b>Total comprehensive income</b>		<b>74.994</b>	<b>249.037</b>
<b>Attributable to:</b>			
Non-controlling interests		305	(65)
Shareholders of Siemens Gamesa Renewable Energy, S.A.		74.689	249.102

Translation of Interim Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (Note 35)

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR  
THE SIX MONTHS PERIODS ENDED JUNE 30, 2017 AND 2016  
(Thousands of euros)

	Issued capital	Capital reserve	Unrealised asset and liability revaluation reserve	Retained earnings	Treasury shares at cost	Currency translation differences	Non-controlling interests	Total equity
<b>Balances at January 1, 2016</b>	<b>68.319</b>	-	<b>15.047</b>	<b>(475.132)</b>	-	<b>(16.995)</b>	<b>(3.648)</b>	<b>(412.409)</b>
Total comprehensive income for the six-month period ended June 30, 2016	-	-	-	243.357	-	-	(65)	243.292
Other comprehensive income, net of income taxes	-	-	6.275	-	-	(531)	-	5.745
Share-based payments (Note 4.T)	-	-	-	4.191	-	-	-	4.191
Other changes in equity	-	-	-	198.846	-	-	4.630	203.476
<b>Balances at June 30, 2016</b>	<b>68.319</b>	-	<b>21.322</b>	<b>(28.738)</b>	-	<b>(17.526)</b>	<b>917</b>	<b>44.294</b>
<b>Balances at January 1, 2017</b>	<b>68.319</b>	-	<b>21.971</b>	<b>502.682</b>	-	<b>(6.931)</b>	<b>66</b>	<b>586.107</b>
Total comprehensive income for the six-month period ended June 30, 2017	-	-	-	131.338	-	-	305	131.642
Other comprehensive income, net of income taxes	-	-	28.489	-	-	(85.137)	-	(56.648)
Share-based payments (Note 4.T)	-	-	-	9.924	-	-	-	9.924
Treasury shares transactions (Note 18.E)	-	-	-	(4.207)	4.923	-	-	716
Issuance of shares	47.476	6.192.337	-	-	(37.410)	-	448	6.202.851
Contribution	-	813.351	-	-	-	-	-	813.351
Extraordinary Dividend payment	-	(998.674)	-	-	-	-	-	(998.674)
Normal Dividend	-	(75.140)	-	-	-	-	-	(75.140)
Other changes in equity	-	-	-	(4.188)	-	-	686	(3.502)
<b>Balances at June 30, 2017</b>	<b>115.794</b>	<b>5.931.874</b>	<b>50.460</b>	<b>635.549</b>	<b>(32.487)</b>	<b>(92.068)</b>	<b>1.505</b>	<b>6.610.627</b>

**SIEMENS GAMESA RENEWABLE ENERGY, S.A. AND SUBSIDIARIES**  
**COMPOSING SIEMENS GAMESA GROUP**  
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016  
(Thousands of euros)

	Note	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before taxes		184.850	267.159
<b>Adjustments to reconcile income before taxes to cash flows from operating activities</b>			
Interest (income) expenses, net		3.304	2.908
Amortization, depreciation and impairments	9 and 10	234.387	78.609
(Income) loss related to investing activities		(426)	618
Other non-cash (income) expenses		2.641	2.123
Change in operating net working capital			
Inventories		(587.408)	(436.217)
Advance payments received		(352.645)	1.885
Trade and other receivables		(57.742)	189.394
Trade payables		186.186	127.743
Billings in excess of costs and estimated earnings on uncompleted contracts and related advances		(253.421)	(347.232)
Change in other assets and liabilities		202.341	30.226
Income taxes paid		(73.297)	(1.325)
Dividends received		2	-
Interest received		905	11
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(510.323)</b>	<b>(84.098)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to intangible assets and property, plant and equipment		(304.035)	(130.881)
Acquisitions of businesses, net of cash acquired	3	(38.436)	-
Purchase of investments		(2.007)	-
Disposal of intangibles and property, plant and equipment		601	1.547
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(343.877)</b>	<b>(129.334)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash contributions from majority shareholder		813.351	-
Repayment of long-term debt (including current maturities of long-term debt)		-	(41)
Change in short-term debt and other financing activities		566.592	-
Financing transactions with related parties		834.017	234.508
Interest paid		(7.369)	(2.965)
Purchase / sales of treasury shares		716	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2.207.306</b>	<b>231.502</b>
<b>EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>		<b>(26.187)</b>	<b>194</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>1.326.919</b>	<b>18.264</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>148.225</b>	<b>7.629</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>1.475.144</b>	<b>25.892</b>

*Translation of Interim Consolidated Financial Statements originally issued in Spanish. In the event of discrepancy, the Spanish – language version prevails (Note 35).*

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

Notes to the Interim Consolidated Financial Statements  
for six-month period ended June 30, 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## E. COMPOSITION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Prior Year	Current Year		
01.01.2016 – 06.30.2016	01.01.2017 – 04.02.2017	04.03.2017 – 06.30.2017	
Siemens Wind Power Business	Siemens Wind Power Business	Siemens Wind Power Business	GAMESA / ADWEN
Historical Cost (Predecessor Accounting)	Historical Cost (Predecessor Accounting)	Historical Cost (Predecessor Accounting)	Fair Value at acquisition date (IFRS 3), subsequent movement at historical cost

## F. ENVIRONMENTAL INFORMATION

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

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

#### A. BASIS OF PRESENTATION

These Consolidated Financial Statements have been prepared in accordance with IFRS. They were authorised for issue for SIEMENS GAMESA's Board of Directors on September 13th, 2017.

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

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

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

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

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

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

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

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

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

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

- The regulations of IFRS 15 are specific for the fact that for each contract only one contract asset or one contract liability can be presented. If this specific regulation had been applied as of June 30, 2017, contract liabilities (included in the line item "other current liabilities") and contract assets (included in the line item "inventories") would have decreased by EUR 252 million.
- Under IFRS 15, recognition of a provision for an onerous contract does not require an impairment of contract assets. As a result, a netting of contract assets according to IFRS 15 and a provision for an onerous contract according to the regulations for provisions (IAS 37) is not permitted. If this specific regulation of IFRS 15 had been applied already as of June 30, 2017, contract assets (included in the line item "inventories") would have increased by EUR 117 million together with an equivalent increase of provisions for onerous contracts.

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

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

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

#### *IFRS 9 Financial Instruments*

IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks.

#### *IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16 "Leases", which is to replace the current lease standard IAS 17. Central to the new standard is that the lessee must report all leases and associated contractual rights and obligations on the balance sheet. The current requirement to differentiate between finance leases and operating leases under IAS 17 will therefore no longer be applicable. Under IFRS 16 the lessee must recognize for all leases a lease liability on the balance sheet in the present value of future lease payments of the respective lease plus directly allocable costs and at the same time recognize a corresponding right of use to the underlying asset. Over the term of the lease, the lease liability is adjusted using financial mathematics methods – similar to the rules for finance leases under the current IAS 17 – and the right of use is depreciated. The standard is effective for annual periods beginning on or after January 1, 2019.

SIEMENS GAMESA is currently assessing the impact of adopting IFRS 16 on the Group's Consolidated Financial Statements.

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

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

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

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

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

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

In order to reflect the assets and liabilities as of December 31, 2016 as well as the revenues and costs for the first half year 2016, that fall within the scope of the Merger, the following assets, liabilities and related income and/or expenses have been added to or excluded from the segment reporting of the Siemens Wind Power Division to derive the comparative financial information for the prior period.

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

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

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

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

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

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

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

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

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

## **E. BASIS OF CONSOLIDATION**

### Subsidiaries

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

### Associated companies

Associates are companies over which SIEMENS GAMESA has the ability to exercise significant influence over operating and financial policies (generally through direct or indirect ownership of 20 % to 50 % of the voting rights). These are recorded in the Consolidated Financial Statements using the equity method and are initially recognized at cost. SIEMENS GAMESA's share of its associate's post-acquisition profits or losses is recognized in the Consolidated Statements of Income, and its share of post-acquisition changes in equity that have not been recognized in the associate's profit or loss is recognized directly in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment in the associate (Notes 2.F and 11).

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

#### Joint ventures

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

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

#### Business combinations

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

#### Foreign currency translation

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

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

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

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

<b>Company constituted / acquired</b>	<b>Holding company of the stake</b>	<b>Percentage of stake of the Group</b>
Poovani Wind Farms Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Devarabanda Renewable Energy Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Gagodard Renewable energy Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Ghatpimpri Renewable Pvt. Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Kod Renewable Pvt. Ltd.	Gamesa Renewable Pvt Ltd, Chennai	100%
Viralipatti Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Tirupur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Thoothukudi Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Sankanur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Rangareddy Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%

<b>Company constituted / acquired</b>	<b>Holding company of the stake</b>	<b>Percentage of stake of the Group</b>
Pugalur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Osmanabad Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Nellore Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Kutch Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Koppal Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Jodhupur Renewable Pvt Ltd	Gamesa Renewable Pvt Ltd, Chennai	100%
Jalore Wind Park Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Gadag Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Dhone Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Channapura Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bidwal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Beed Renewable Energy Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Latur Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Sanchore Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Tuljapur Wind Farms Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Mathak Wind Farms Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bhuj Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Bapuram Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Uppal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Gudadanal Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Haveri Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Nirlooti Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Neelagund Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Hungund Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Saunshi Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Chikkodi Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Umrani Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Zalki Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
Hattarwat Renewable Private Limited	Gamesa Renewable Pvt Ltd, Chennai	100%
International Wind Farm Development I Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development II Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development IV Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development V Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%
International Wind Farm Development VII Limited	Gamesa Wind (Tianjin) Co., Ltd.	100%

No legal entities left the scope of consolidation in the first half year of 2017 due to sales or winding up of companies.

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

As described in Note 1.D, the Merger qualifies for accounting purposes as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer and GAMESA as accounting acquiree. SIEMENS acquired 59% of GAMESA in exchange for 41% of its Wind Power Business and an extraordinary Merger dividend of EUR 998.7 million. As SIEMENS and GAMESA only exchange equity interests, the market share price of GAMESA at the Merger Effective Date is the best indicator of the consideration paid for the assets and liabilities of GAMESA, which has been EUR 22.345 per share (relevant share price as of 3 April, 2017). Accordingly, the consideration transferred amounts to EUR 6.2 billion.

The assets and liabilities of GAMESA as accounting acquiree including the assets and liabilities of ADWEN are included in the Consolidated Financial Statements at their acquisition-date fair values. The following figures result from the preliminary purchase price allocation as of the acquisition date: Other intangible assets EUR 2,602 million, Property, plant and equipment EUR 626 million, Trade and other receivables EUR 1,074 million, Inventories EUR 1,118 million, Other financial assets EUR 413 million (current and non-current), Cash and cash equivalents EUR 1,002 million, Deferred tax assets EUR 430 million, Debt including outstanding financial debt settled EUR 991 million, Trade payables EUR 1,741 million, Other current liabilities EUR 644 million, Other financial liabilities EUR 314 million (current and non-current), Provisions EUR 1,119 million (current and non-current), and Deferred tax liabilities EUR 844 million. Intangible assets mainly relate to technology of EUR 1,147 million, customer relationships of EUR 986 million and order backlog of EUR 469 million.

Preliminary goodwill amounts to EUR 4,219 million and comprises intangible assets that are not separable such as employee know-how and expected synergy effects. The preliminary goodwill has not yet been allocated to cash-generating units as the analysis of the synergies resulting from the transaction is still ongoing.

The acquired business contributed revenues of EUR 963 million and a net income of EUR 17 million (pre- Purchase Price Allocation) to SIEMENS GAMESA for the period from acquisition to 30 June 2017. The revenue and profit of the combined entity for the current reporting period as though the acquisition date had been as of the beginning of the annual reporting period amounts to EUR 5,871 million and EUR 233 million.

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

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

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

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

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

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

#### **Sales from construction contracts**

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

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

SIEMENS GAMESA recognises for construction contracts in progress the costs and earnings in excess of billings under inventories (Note 14) and the progress billings in excess of costs and recognized profits (less recognized losses) under other current liabilities (Note 27) in the Consolidated Financial Statements.

Advances paid to suppliers are also included within inventories.

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

#### **B. FUNCTIONAL COSTS**

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

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

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

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

#### **D. GOVERNMENT GRANTS**

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

Government grants for future expenses are recorded as deferred income and allocated to income under "Other operating income" caption in the year in which the related expenses are incurred. In this connection, government grants included in "Other operating income" in the Consolidated Financial Statements amount to EUR 2.5 million.

#### **E. GOODWILL**

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

#### **F. OTHER INTANGIBLE ASSETS**

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

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

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

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

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

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

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

Assets under construction are not depreciated.

#### **H. ASSET IMPAIRMENT**

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

#### **I. INVENTORIES**

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

#### **J. FINANCIAL INSTRUMENTS**

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

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

### Cash and Cash Equivalents

SIEMENS GAMESA considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost (Note 16).

### Available-for-sale financial assets

Investments in equity instruments, debt instruments and fund shares are measured at fair value, if reliably measurable. Unrealized gains and losses, net of applicable deferred income tax expenses, are recognized in line item "Other components of equity". Provided that fair value cannot be reliably determined, SIEMENS GAMESA measures available-for-sale financial assets at cost. This applies to equity instruments that do not have a quoted market price in an active market, and decisive parameters cannot be reliably estimated to be used in valuation models for the determination of fair value. Due to the latter reason, all the available-for-sale financial assets of SIEMENS GAMESA are measured at cost as of June 30, 2017 (Note 13).

### Loans and receivables

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

### Financial Liabilities

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

- Bank Borrowings:

Loans, bonds and similar interest-bearing items are initially recognised at the amount received, net of direct issue costs, under "Debt" 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 20).

- 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

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

- Fair value hedges:

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

- Cash flow hedges:

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

Category of financial assets at fair value

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

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

Thousands of euros	Fair value at June 30, 2017			Total
	Category 1	Category 2	Category 3	
<b>Non-current Financial Assets</b>				
Derivative financial instruments (Note 21)	-	86,236	-	86,237
<b>Current Financial Assets</b>				
Derivative financial instruments (Note 21)	-	66,200	-	66,200
<b>Non-current Liabilities</b>				
Derivative financial instruments (Note 21)	-	10,609	-	10,609
<b>Current Liabilities</b>				
Derivative financial instruments (Note 21)	-	84,617	-	84,617
<b>Total</b>	-	<b>247,663</b>	-	<b>247,663</b>

Thousands of euros	Fair value at December 31, 2016			Total
	Category 1	Category 2	Category 3	
<b>Non-current Financial Assets</b>				
Derivative financial instruments (Note 21)	-	69,253	-	69,253
<b>Current Financial Assets</b>				
Derivative financial instruments (Note 21)	-	56,726	-	56,726
<b>Non-current Liabilities</b>				
Derivative financial instruments (Note 21)	-	37,527	-	37,527
<b>Current Liabilities</b>				
Derivative financial instruments (Note 21)	-	62,449	-	62,449
<b>Total</b>	-	<b>225,955</b>	-	<b>225,955</b>

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

- Interest rate swaps:

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

- Forward exchange rate contracts:

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

- Raw material swaps (electricity)

Raw material swaps are measured at fair value using the prices and interests from observable yield curves. The fair value of raw material swap contracts is calculated by discounting the estimated cash flows using the future prices at the closing date.

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

There have been no transfers in between the fair value levels in the first half year of 2017.

#### Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or obligor;
- default or delinquency in interest or principal repayments; or
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

#### Derecognition of financial instruments

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

In cases the risks and rewards associated with accounts receivables are contractually transferred to a factor and the factor also assumes the related bad debt risk, the Group derecognises these financial assets. The balance of unmatured receivables arising from non-recourse factoring transactions as of June 30, 2017, amounted to EUR 173.7 million (EUR zero as of December 31, 2016). The average amount of factored receivables in the first half year 2017 was EUR 267.4 million (EUR 13.5 million in first half year 2016).

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

#### **K. LEASES**

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

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

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

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

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

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

##### Group companies

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

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

##### Transactions and balances

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

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

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

The hedge instruments that SIEMENS GAMESA uses to reduce foreign currency risks are described in Note 21.

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

Currency	Equivalent value in thousands of euros			
	06.30.2017		12.31.2016	
	Assets	Liabilities	Assets	Liabilities
Indian Rupee	336,348	638,631	-	-
US Dollar	255,249	361,493	43,638	105,117
Chinese Yuan	170,267	166,628	27,511	18,661
Mexican Peso	117,782	35,204	-	-
Danish Krone	96,207	462,676	20,906	448,697
Canadian Dollar	90,163	20,010	61,294	12,532
Pound Sterling	61,754	54,794	55,761	34,068
Moroccan Dirham	36,849	13,586	13,108	4,014
Swedish Krona	27,538	7,557	13,258	1,211
Australian Dollar	25,894	6,836	37,454	7,173
Turkish Lira	14,513	1,374	15,155	9,572
Brazilian Real	129,043	61,958	2,017	974
Norwegian Krone	70,259	6,812	7,593	143
South African Rand	80,516	12,846	752	6,805
Other currencies	141,562	57,930	7,516	5,157
<b>Total</b>	<b>1,653,944</b>	<b>1,908,335</b>	<b>305,963</b>	<b>654,124</b>

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

Nature of the Balances	Equivalent value in thousands of euros			
	06.30.2017		12.31.2016	
	Assets	Liabilities	Assets	Liabilities
Trade receivables (Note 15)	795,831	-	273,187	-
Cash and other equivalent liquid assets (Note 16)	858,114	-	32,775	-
Payables	-	1,720,083	-	652,297
Bank borrowings (Note 20)	-	188,250	-	1,825
<b>Total</b>	<b>1,653,945</b>	<b>1,908,333</b>	<b>305,962</b>	<b>654,122</b>

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

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

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

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

## **O. INCOME TAX**

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

Also, since 2010 the subsidiaries located in the Autonomous Community of Navarre 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. Three more companies were incorporated to this group in 2016, Gamesa Latam, S.L., Gamesa APAC, S.L. and Sistemas Energéticos El Valle, S.L.

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

Since 2005, Siemens Wind Power A/S is part of the mandatory Danish national joint taxation group, with Siemens A/S nominated as the administration company.

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

Under the liability method, deferred tax assets and liabilities are recognised for future tax consequences attributable to differences between the Financial Statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. The recoverability of deferred tax assets is evaluated, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, it is assessed whether it is probable that SIEMENS GAMESA will realize the benefits of these deductible differences (Notes 25 and 26).

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

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

The treasury shares held by SIEMENS GAMESA Renewable Energy, S.A. as the Parent company of SIEMENS GAMESA as of June 30, 2017 are recognised at acquisition cost with a charge to "Equity - Treasury Shares at cost" in the Consolidated Balance Sheet (Note 18.E).

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

## **Q. PROVISIONS**

A distinction is drawn between:

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

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

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

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

Provisions for warranty costs are recognised at the time when the significant risks and rewards of a product are transferred to the customer. The provisions are recognised on an individual basis at the best estimate of the expenditure required by SIEMENS GAMESA to settle the underlying obligation (Note 22). In the case of new products, expert opinions and industry data are also taken into consideration in estimating product warranty provisions.

Expected losses from onerous contracts are recognised when the current estimate of total contract costs exceeds contract revenue (Note 22).

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

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

As of June 30, 2017 certain litigation and claims were in progress against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisors and its Directors consider that the provisions recognised for this purpose are sufficient and that the outcome of these proceedings and claims will not have an additional material effect on the Consolidated Financial Statements for the years in which they are settled (Note 22).

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

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

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

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

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

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

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

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

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

Equity-settled share-based payments are measured at the fair value of the equity instruments granted. This fair value is expensed on a straight-line basis over the vesting period, based on SIEMENS GAMESA 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 terms and conditions upon which those equity instruments were granted.

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

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

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

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

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

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

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

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

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

In calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) for first half year 2017:

- a) The number of ordinary shares outstanding from the beginning of fiscal year 2017 to the Merger effective date was computed on the basis of weighted average number of ordinary shares of Siemens Wind Power Business (accounting acquirer) outstanding during that period calculated as the number of ordinary shares outstanding at the Merger effective date multiplied by the Merger exchange ratio; and
- b) The number of ordinary shares outstanding from the Merger effective date to June 30, 2017 was the actual number of ordinary shares of SIEMENS GAMESA outstanding during that period.

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. For such purposes, dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the reporting period or, if later, the date of the issue of the potential ordinary shares.

Basic earnings per share in first half year 2017 and 2016 coincided with diluted earnings per share, since there were no potential shares outstanding in those periods (Note 33).

#### **W. DIVIDENDS**

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

During the first half year of 2017 (as well as during the first half year of 2016) no interim dividend has been distributed.

#### **X. INTEREST COST / BORROWING COSTS**

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

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

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

### **5. Financial Risk Management**

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

#### **A. MARKET RISK**

##### *a. Foreign Exchange risk*

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

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

In the cases where the measures described above are not possible, SIEMENS GAMESA uses financial instruments to hedge the remaining risk exposure, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations (Note 21). For this purpose, the Group analyzes the foreign currency exposure of its confirmed order book as well as of the planned and highly probable foreign currency transactions. In addition, risk exposure limits are established and updated each year aimed at managing the remaining risk levels, and could be updated under a time period of less than one year in case that the group needs to adapt quickly to changing market trends.

According to the general FX risk management framework of SIEMENS GAMESA, foreign currency risk has to be hedged within a band of at least 75% up to a maximum of 100%.

The financial instruments utilized to hedge against this risk are primarily foreign currency exchange forward contracts and foreign currency swaps. Due to the international set-up of the Group, cash flows are generated in numerous different currencies. The majority of foreign currency transactions are denominated in US dollar, Canadian dollar, Danish krone, Chinese yuan, Indian rupee, Brazilian real and Mexican peso (Note 4.M).

The following table shows the effect on profit and loss and equity of the changes in exchange rates as of June 30, 2017 and December 31, 2016 for the Group's most significant currencies, by simulating a 5% devaluation and appreciation of the EUR against the respective currency:

Thousands of euros		Debit / (Credit) (*)			
Currency	Exchange rate at 06.30.2017	Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
US Dollar	1.1412	(2,390)	(24,510)	2,162	22,175
Canadian Dollar	1.4785	(978)	(2,293)	885	2,074
Danish Krone	7.4366	(9,346)	(17,768)	8,456	16,075
Chinese Yuan	7.7385	(732)	(10,062)	662	9,104
Indian Rupee	73.7445	800	(19,792)	(724)	17,907
Brazilian Real	3.7600	(510)	(6,775)	462	6,130
Mexican Peso	20.5839	54	(3,401)	(49)	3,077

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

Thousands of euros		Debit / (Credit) (*)			
Currency	Exchange rate at 12.31.2016	Devaluation 5% of euro		Appreciation 5% of euro	
		Impact on profits before taxes	Impact on equity before taxes	Impact on profits before taxes	Impact on equity before taxes
US Dollar	1.0541	(6,833)	6,950	6,182	(6,288)
Canadian Dollar	1.4188	(616)	(1,194)	557	1,080
Danish Krone	7.4344	(5,468)	(5,398)	4,947	4,884
Chinese Yuan	7.3202	(310)	2,039	281	(1,845)
Indian Rupee	71.5935	(9)	45	8	(41)
Brazilian Real	3.4305	(105)	211	95	(191)
Mexican Peso	21.7719	4	(1)	(3)	1

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

#### b. Market Price Risk

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

*c. Interest rate risk*

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

The Group uses derivative financial instruments to mitigate the interest rate risk. These interest rate hedges are assigned specifically to debt instruments and are matching their maturity as well as the nominal amount (Note 21).

At June 30, 2017, respectively at December 31, 2016, the split of the borrowings into fixed and variable rate is as follows (Note 20):

Thousands of euros	06.30.2017		12.31.2016	
	Excluding hedges	Including hedges	Excluding hedges	Including hedges
Fixed Rate	26,078	243,338	-	-
Variable Rate	1,213,200	995,940	1,825	1,825

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

Thousands of euros	Debit / (Credit) (*)			
	Variation in interest -0.25%		Variation in interest +0.25%	
	Impact on profits before taxes	Impact on equity	Impact on profits before taxes	Impact on equity
06.30.2017	(2,507)	(5)	2,421	5
12.31.2016	(4)	-	4	-

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

**B. LIQUIDITY RISK**

Liquidity risk is the risk that SIEMENS GAMESA is unable to meet its existing or future obligations due to insufficient availability of cash or cash equivalents. SIEMENS GAMESA mitigates the liquidity risk by the implementation of an effective working capital and cash management as well as with arranged credit facilities with highly rated financial institutions. As of June 2017, SIEMENS GAMESA has an unused credit facility of EUR 1,506 million (55% of total credit facility).

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

**C. CREDIT RISK**

The credit risk is the risk that a counterparty or customer does not meet his or her contractual payment obligations and that leads to a loss for SIEMENS GAMESA.

SIEMENS GAMESA deals in principle with customers that have an appropriate credit history and rating. The customers mainly consist of companies within the energy sector where a steady cash-inflow from the sale of electricity leads to an above average credit rating. Nevertheless, in cases of customers with no or an below average rating or credit history SIEMENS GAMESA uses a variety of mitigation measures, such as irrevocable letters of credit or export insurances to cover the increased credit risk. Furthermore, the customer contract is individualized according to the credit risk exposure to safeguard SIEMENS GAMESA from an insolvency of the counterparty.

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

Thousands of euros	06.30.2017	12.31.2016
Less than 90 days	166,793	68,978
90 - 180 days	46,285	15,051
More than 180 days	90,042	26,235
<b>Total trade and other receivables – overdue</b>	<b>303,120</b>	<b>110,264</b>

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

Thousands of euros	06.30.2017	12.31.2016
AA-	36,735	5
A+	191,211	93,222
A	425,167	11,627
A-	309,347	589
BBB+	236,869	37,033
BBB	164,899	737
BBB-	29,421	4,972
BB+ or lower	81,494	38
<b>Total</b>	<b>1,475,144</b>	<b>148,223</b>

## 6. Key accounting judgments and estimates

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

- Construction projects accounted for using the percentage-of-completion method recognize revenue as performance on contract progresses. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. Depending on the methodology to determine contract progress, the significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues in the respective reporting period.
- As indicated in Note 4.F and 4.G, SIEMENS GAMESA determines the estimated useful lives and the relevant depreciation/amortisation charges for its intangible assets and property, plant and equipment. SIEMENS GAMESA 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.
- SIEMENS GAMESA estimates the warranty provisions required for possible repair costs that the Group will incur within the warranty period. Warranty provisions related to turbines are generally calculated using estimates regarding the number of component failures (failure rate estimate) and their rectifications costs. (Note 4.Q).
- SIEMENS GAMESA has made certain assumptions in order to calculate the liability arising from obligations to employees (Note 4.R). The fair value of those financial instruments granted as share-based payments (Note 18.E) that are not traded in an active market is determined by using measurement techniques. The

Group uses judgments to select a variety of methods and to develop assumptions that are primarily based on the market conditions existing at each balance sheet date. Changes in these assumptions would not have a significant impact on these Consolidated Financial Statements.

- Whenever property, plant and equipment and other intangible assets are to be tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.
- The allowance for doubtful accounts involves significant management judgment and review of receivables based on customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio (Note 15).
- The Group is subject to income taxes in numerous jurisdictions. A significant level of judgment is required to determine the worldwide provision for income tax. There are many transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. The Group recognizes liabilities for potential tax claims based on an estimation of whether or not additional taxes will be necessary. When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise (Note 25).
- SIEMENS GAMESA recognises deferred tax assets only to the extent that their future realisation or utilisation is sufficiently assured. As future developments are uncertain and partly beyond SIEMENS GAMESA's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption (Note 26).
- The exit of the UK from the European Union triggers an extended period of uncertainty, which adversely impact future investments in the UK energy market and puts increased uncertainty also into the business development of SIEMENS GAMESA in the UK. SIEMENS GAMESA currently estimates that it will be able to cover these uncertainties through several risk mitigation measures and sees therefore no immediate risk for the Financial Statements, e.g. on the recoverability of assets resulting from past investments in the UK.
- In a business combination the acquirer shall measure the identifiable assets acquired and the liabilities assumed (including contingent liabilities) at their acquisition-date fair values. The estimates of the acquisition-date fair values are based on judgement and are determined by using certain measurement techniques, which are also supported by independent third party appraisers. Furthermore, the measurement period, which is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination, will end as of April 3, 2018 for the Merger transaction between GAMESA and Siemens Wind HoldCo, S.L. The measurement period provides the acquirer with a reasonable time to obtain the information necessary to identify and measure, as of the acquisition date in accordance with the requirements of IFRS 3, amongst others the identifiable assets acquired, liabilities assumed, the consideration transferred for the acquire or the resulting goodwill.

Although these estimates were made on the basis of the best information available at June 30, 2017 and December 31, 2016 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.

## **7. Segment reporting**

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

- Wind Turbines (\*)
- Operation and maintenance

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

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

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

##### Revenue

The breakdown, by segment, of consolidated revenue for the 6 months periods from January 1 to June 30 of 2017 and 2016 is as follows:

Segments	Thousands of euros	
	2017	2016
Wind Turbines	3,656,723	2,672,050
Operation and Maintenance	552,629	510,669
<b>Net revenue from continued operations</b>	<b>4,209,351</b>	<b>3,182,719</b>

##### Profit for the year

The breakdown, by segment, of the contribution to the profit after tax for 6 months periods from January 1 to June 30 of 2017 and 2016 is as follows:

Segment	Thousands of euros	
	2017	2016
<b>Continuing Operations</b>		
Wind Turbines	111,534	177,482
Operation and Maintenance	85,410	93,639
<b>Total Results Segment Operations</b>	<b>196,944</b>	<b>271,122</b>
Unassigned results (*)	(12,399)	(3,898)
Corporate income tax	(53,207)	(23,867)
<b>Results for the year attributable to the Parent company</b>	<b>131,338</b>	<b>243,357</b>

(\*) This item includes financial results, non-controlling interest income statement and equity investment.

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

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

#### **B. GEOGRAPHICAL INFORMATION**

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

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

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

#### Revenue

The breakdown, by geographical segment, of revenue for the 6 months periods from January 1 to June 30 of 2017 and 2016 is as follows:

Geographical area	2017		2016	
	Thousands of euros	%	Thousands of euros	%
Spain	46,492	1.1%	1,987	0.1%
EMEA	2,665,559	63.3%	2,269,407	71.3%
AMERICA	1,094,443	26.0%	840,373	26.4%
APAC	402,858	9.6%	70,951	2.2%
<b>Total</b>	<b>4,209,351</b>	<b>100%</b>	<b>3,182,719</b>	<b>100%</b>

#### Total assets

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

Geographical area	2017		2016	
	Thousands of euros	%	Thousands of euros	%
Spain	2,533,695	19.9%	2,231	0.0%
EMEA	6,148,472	48.2%	3,504,780	73.3%
AMERICA	2,208,313	17.3%	1,099,760	23.0%
APAC	1,873,143	14.7%	182,460	3.8%
<b>Total</b>	<b>12,763,624</b>	<b>100%</b>	<b>4,789,231</b>	<b>100%</b>

By end of June 30, 2017, the goodwill resulting from the Merger in amount of EUR 4,253,628 thousands has not been yet allocated to geographical areas.

#### Investment in assets

The breakdown, by geographical segment, of the investments in property, plant and equipment and other intangible assets for the 6 months period from January 1 to June 30 of 2017 and 2016 is as follows:

Geographical area	2017		2016	
	Thousands of euros	%	Thousands of euros	%
Spain	-	0.0%	1	0.0%
EMEA	256,522	84.4%	110,430	84.4%
AMERICA	17,814	5.9%	13,109	10.0%
APAC	29,699	9.8%	7,368	5.6%
<b>Total</b>	<b>304,035</b>	<b>100%</b>	<b>130,881</b>	<b>100%</b>

## 8. Goodwill

The carrying amount of Goodwill is as follows:

	Thousands of euros	
	2017	2016
Carrying amount at January 1	164,848	164,147
Carrying amount at June 30	4,418,476	164,678

The most significant movement is due to the Merger with GAMESA on April 3, 2017 for an amount of EUR 4,219,316 thousands (Note 1).

The Goodwill allocation has two cash-generating units "Wind Turbines" and "Operation and Maintenance", since they are both the smallest identifiable groups of assets that the Group's directors monitor and consistent with the segments identified in Note 7.

As of June 30, 2017 the carrying amount of the goodwill corresponding to pre Gamesa Merger transaction has been allocated to the cash generating unit "Wind Turbines" (EUR 134,428 thousands) and "Operation and Maintenance" (EUR 30,374 thousands). The preliminary goodwill in an amount of EUR 4,219,316 thousands, resulting from the SIEMENS GAMESA Merger, has not yet been allocated to cash-generating units as the analysis of the synergies resulting from the transaction is still ongoing.

## 9. Other intangible assets

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

Thousands of euros Year 2017	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Internally generated technology	47,260	-	61,627	(92)	(17)	(3)	108,776
Acquired technology including patents, licenses and similar rights	98,971	1,147,065	25	-	(32)	67	1,246,097
Customer relationships, order backlog and trademarks	2,139	1,454,898	-	-	(54,188)	-	1,402,849
Advance Payments for Intangible Assets	-	-	726	-	-	-	726
	148,370	2,601,963	62,379	(92)	(54,237)	64	2,758,448
<b>Depreciation and impairment</b>							
Internally generated technology	(25,240)	-	(8,123)	88	15	3	(33,257)
Acquired technology including patents, licenses and similar rights	(82,151)	-	(52,578)	-	25	(25)	(134,729)
Customer relationships, order backlog and trademarks	(2,139)	-	(63,058)	-	1	-	(65,196)
	(109,530)	-	(123,759)	88	40	(22)	(233,182)
<b>Total other intangible assets at 06.30.2017</b>	<b>38,840</b>	<b>2,601,963</b>	<b>(61,380)</b>	<b>(4)</b>	<b>(54,197)</b>	<b>42</b>	<b>2,525,266</b>

Thousands of euros Year 2016	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Internally generated technology	41,715	-	-	(119)	119	-	41,716
Acquired technology including patents, licenses and similar rights	98,620	-	6	(1)	309	-	98,934
Customer relationships, order backlog and trademarks	2,131	-	-	-	7	-	2,137
	142,466	-	6	(120)	435	-	142,788
<b>Depreciation and impairment</b>							
Internally generated technology	(13,980)	-	(5,851)	74	(42)	-	(19,800)
Acquired technology including patents, licenses and similar rights	(75,564)	-	(3,151)	1	(241)	-	(78,955)
Customer relationships, order backlog and trademarks	(2,131)	-	-	-	(7)	-	(2,137)
	(91,675)	-	(9,002)	75	(290)	-	(100,893)
<b>Total other intangible assets at 06.30.2016</b>	<b>50,791</b>	<b>-</b>	<b>(8,996)</b>	<b>(45)</b>	<b>145</b>	<b>-</b>	<b>41,895</b>

During 2017 and 2016, the main increase in the capitalized development costs is due to the developments in G2, D3 and D8 platforms and software mainly in Denmark amounting to EUR 26 million.

Acquired technology includes technologies identified in line with the SIEMENS GAMESA Merger valued on platform basis in an amount of EUR 1,088 million as of June 30, 2017. The fair value at the Merger effective date amounted to EUR 1,147 million. The remaining useful life for these intangible assets, depending on the different platform types, is between 0.75 and 10.75 years (in average 6.35 years).

Customer relationship identified in line with the SIEMENS GAMESA Merger amount to EUR 964 million as of June 30, 2017. The fair value at the Merger effective date amounted to EUR 986 millions. The remaining useful life depends on the business segment for which the customer relationship has been identified: 5.5 years for WTG segment and 19.75 years for Operation and Maintenance segment.

Furthermore, an order backlog in an amount of EUR 469 million has been identified in line with the SIEMENS GAMESA Merger. Carrying amount of this order backlog as of June 30, 2016 is EUR 412 million. The remaining useful life depends on the individual contracts and is between 0.5 and 18 months (in average 13 months) for WTG and is between 0.5 and 20 years (in average 8 years) for Operation and Maintenance.

Research and development expenses not capitalised during first half year 2017 amounted to EUR 102 million (EUR 101 million in first half year 2016).

Fully amortised intangible assets in use at June 30, 2017 and December 31, 2016 amounted to EUR 7,285 thousands and EUR 7,275 thousands, respectively.

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

## 10. Property, plant and equipment

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

Thousands of euros Year 2017	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Land and buildings	537,607	175,662	8,228	(720)	(20,932)	1,579	701,425
Technical facilities and machinery	250,361	316,467	20,728	(932)	(24,629)	9,055	571,050
Other property, plant and equipment	658,967	110,000	74,761	(10,318)	(20,648)	34,042	846,805
Property, plant and equipment under construction	182,076	24,082	137,939	-	(7,111)	(44,676)	292,310
	1,629,011	626,212	241,656	(11,970)	(73,319)	-	2,411,590
<b>Depreciation and impairment</b>							
Buildings	(151,462)	-	(14,029)	647	2,678	-	(162,166)
Technical facilities and machinery	(140,265)	-	(27,601)	878	8,722	(50)	(158,317)
Other property, plant and equipment	(468,344)	-	(68,998)	7,633	16,787	50	(512,872)
Property, plant and equipment under construction	-	-	-	-	-	-	-
	(760,071)	-	(110,629)	9,157	28,187	-	(833,355)
<b>Total tangible assets at 06.30.2017</b>	<b>868,940</b>	<b>626,212</b>	<b>131,027</b>	<b>(2,813)</b>	<b>(45,132)</b>	<b>-</b>	<b>1,578,234</b>
Thousands of euros Year 2016	Beginning Balance	Additions through GAMESA Merger	Additions	Disposals	Exchange differences in foreign currency	Transfers	Ending Balance
<b>Cost</b>							
Land and buildings	421,569	-	332	(877)	(28)	-	420,996
Technical facilities and machinery	222,394	-	6,665	(944)	(1,017)	3,284	230,382
Other property, plant and equipment	544,785	-	34,099	(11,514)	(1,355)	7,532	573,547
Property, plant and equipment under construction	96,307	-	89,778	-	(5,140)	(10,816)	170,129
	1,285,056	-	130,874	(13,336)	(7,541)	-	1,395,054
<b>Depreciation and impairment</b>							
Buildings	(129,995)	-	(11,002)	852	(135)	-	(140,280)
Technical facilities and machinery	(122,056)	-	(11,383)	872	714	-	(131,854)
Other property, plant and equipment	(395,130)	-	(47,221)	10,855	1,048	-	(430,448)
Property, plant and equipment under construction	-	-	-	-	-	-	-
	(647,181)	-	(69,607)	12,579	1,626	-	(702,583)
<b>Total tangible assets at 06.30.2016</b>	<b>637,875</b>	<b>-</b>	<b>61,267</b>	<b>(757)</b>	<b>(5,915)</b>	<b>-</b>	<b>692,472</b>

### A. INVESTMENTS FOR THE FINANCIAL YEAR

The main additions in the first six months of 2017 relate mainly to the investments in new manufacturing plants in Germany (Cuxhaven) and Morocco (Tangier). The main additions in the first six months of 2016 related mainly to new production plants in Great Britain (Hull) and Germany (Cuxhaven).

## **B. LEASING CONTRACTS**

At June 30, 2017 and December 31, 2016 the SIEMENS GAMESA has no significant financial leases (Note 20).

## **C. TOTALLY DEPRECIATED ASSETS**

The amounts of operating tangible assets fully depreciated at June 30, 2017 and December 31, 2016 amounted EUR 383,729 thousands and EUR 348,367 thousands, respectively. At June 30, 2017 and December 31, 2016 most of these assets correspond to tools and test equipment.

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

At June 30, 2017 the SIEMENS GAMESA Group companies had property, plant and equipment purchase commitments amounting to EUR 90 million approximately (EUR 125 million at December, 31, 2016), related mainly to production facilities and new developments of wind facilities and its components.

## **E. INSURANCE COVERAGE**

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

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

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

<b>Company</b>	<b>Shareholding %</b>	<b>Thousands of euros</b>	
		<b>06.30.2017</b>	<b>06.30.2016</b>
Windar Renovables, S.L.	32%	64,042	-
Nuevas Estrategias de Mantenimiento, S.L.	50%	4,851	-
Others	-	4,243	-
<b>Total</b>		<b>73,136</b>	<b>-</b>

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

	<b>Thousands of euros</b>
<b>Closing Balance at December 31, 2016</b>	<b>-</b>
First time consolidation of GAMESA on April 3, 2017	74,340
Profit for the year	(429)
Others	(775)
<b>Closing Balance at June 30, 2017</b>	<b>73,136</b>

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

#### Financial information related to joint ventures

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

<b>Nuevas Estrategias de Mantenimiento, S.L.</b>	<b>Thousands of euros</b>
	<b>06.30.2017</b>
Total non-current assets	918
Total current assets	5,074
<b>Total Assets</b>	<b>5,992</b>
Total equity	4,793
Total non-current liabilities	410
Total current liabilities	789
<b>Total Liabilities and Equity</b>	<b>5,992</b>

<b>Nuevas Estrategias de Mantenimiento, S.L.</b>	<b>Thousands of euros</b>
	<b>06.30.2017</b>
<b>Profit and loss information</b>	
Income from ordinary activities	1,496
Depreciation and amortization	(37)
Interest income	-
Interest expenses	-
Income tax expense/(income)	-
Net profit from continued operations	134
<b>Balance sheet information</b>	
Cash and cash equivalents	2,303
Current financial liabilities	-
Non-current financial liabilities	410

Between April 3, 2017 and June 30, 2017 no dividends were received from this company.

## Financial information related to associated companies

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

	Thousands of euros
<b>Windar Renovables, S.L. and subsidiaries</b>	<b>06.30.2017</b>
Total non-current assets	77,781
Total current assets	155,712
<b>Total Assets</b>	<b>233,493</b>
Total equity	90,968
Total non-current liabilities	20,500
Total current liabilities	122,025
<b>Total Equity and Liabilities</b>	<b>233,493</b>

	Thousands of euros
<b>Windar Renovables, S.L. and subsidiaries</b>	<b>06.30.2017</b>
<b>Profit and loss information</b>	
Income from ordinary activities	50,000
Net profit from continued operations	(1,000)

Between April 3, 2017 and June 30, 2017, no dividends have been received from this company.

The book value of the net investment in Windar Renovables, S.L. at June 30, 2017 amounts EUR 64,042 thousands (EUR 0 thousands at June 30, 2016), and it includes the capital gain which emerged at the moment of the acquisition of the investment in the associate (EUR 35 million approximately), for the difference between the total of the compensation given and the part of the entity in theoretical book value of the net assets of the associate in the moment of the acquisition.

## 12. Financial instruments by category

### A. COMPOSITION AND BREAKDOWN OF FINANCIAL ASSETS

The breakdown of the SIEMENS GAMESA Group financial assets at June 30, 2017 and December 31, 2016, presented by nature and category for measurement purposes is the following:

Year 2017	Thousands of euros						Total
	Other financial assets at fair value through profit & loss	Available-for-sale financial assets (Note 13)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 21)		
<b>Financial assets:</b>							
<b>Nature / Category</b>							
Derivatives (Notes 13 and 21)	-	-	-	-	86,236	86,236	
Other financial assets (Note 13)	-	27,561	191,576	-	-	219,137	
<b>Long-term / non-current</b>	-	<b>27,561</b>	<b>191,576</b>	-	<b>86,236</b>	<b>305,373</b>	
Derivatives (Note 21)	-	-	-	-	66,200	66,200	
Other financial assets	-	-	183,778	-	-	183,778	
Trade and other receivables (Note 15)	-	-	1,309,888	-	-	1,309,888	
<b>Short-term / current</b>	-	-	<b>1,493,666</b>	-	<b>66,200</b>	<b>1,559,866</b>	
<b>Total</b>	-	<b>27,561</b>	<b>1,685,242</b>	-	<b>152,437</b>	<b>1,865,240</b>	

Thousands of euros						
Year 2016	Other financial assets at fair value through P&L	Available-for-sale financial assets (Note 13)	Loans and Receivables	Held-to-maturity investments	Hedge derivatives (Note 21)	Total
Financial assets: Nature / Category						
Derivatives (Notes 13 and 21)	-	-	-	-	69,253	69,253
Other financial assets (Note 13)	-	194	2,333	-	-	2,527
<b>Long term / non-current</b>	-	<b>194</b>	<b>2,333</b>	-	<b>69,253</b>	<b>71,779</b>
Derivatives (Note 21)	-	-	-	-	56,726	56,726
Other financial assets	-	-	39,385	-	-	39,385
Trade receivables and other (Note 15)	-	-	365,535	-	-	365,535
<b>Short Term / currents</b>	-	-	<b>404,920</b>	-	<b>56,726</b>	<b>461,646</b>
<b>Total</b>	-	<b>194</b>	<b>407,253</b>	-	<b>125,979</b>	<b>533,426</b>

## B. COMPOSITION AND BREAKDOWN OF FINANCIAL LIABILITIES

The breakdown of the Group's financial liabilities at June 30, 2017 and December 31, 2016, presented by nature and category for measurement purposes:

Thousands of euros				
Year 2017	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 21)	Total
Financial liabilities: Nature / Category				
Bank borrowings	-	481,012	-	481,012
Derivatives (Note 21)	-	-	10,610	10,610
Other financial liabilities	-	208,379	-	208,379
<b>Long-term / Non-current</b>	-	<b>689,391</b>	<b>10,610</b>	<b>700,001</b>
Bank borrowings	-	758,267	-	758,267
Derivatives (Note 21)	-	-	84,617	84,617
Other financial liabilities	-	43,220	-	43,220
Trade and other payables	-	2,536,824	-	2,536,824
<b>Short-term / Current</b>	-	<b>3,338,312</b>	<b>84,617</b>	<b>3,422,928</b>
<b>Total</b>	-	<b>4,027,703</b>	<b>95,226</b>	<b>4,122,929</b>

Thousands of euros				
Year 2016	Other financial liabilities at fair value through P&L	Creditors and payables	Hedge derivatives (Note 21)	Total
Financial liabilities: Nature / Category				
Bank borrowings	-	1,723	-	1,723
Derivatives (Note 21)	-	-	37,527	37,527
Other financial liabilities	-	3,205	-	3,205
<b>Long-term / Non-current</b>	-	<b>4,928</b>	<b>37,527</b>	<b>42,455</b>
Bank borrowings	-	104	-	104
Derivatives (Note 21)	-	-	62,449	62,449
Other financial liabilities	-	1,015	-	1,015
Trade and other payables	-	697,003	-	697,003
<b>Short-term / Current</b>	-	<b>698,123</b>	<b>62,449</b>	<b>760,572</b>
<b>Total</b>	-	<b>703,050</b>	<b>99,976</b>	<b>803,026</b>

### 13. Non-current financial assets

The detail of “Non-current financial assets” in the Consolidated Balance Sheet of 2017 and 2016 are as follows:

	Thousands of euros	
	06.30.2017	12.31.2016
Derivatives (Note 21)	86,236	69,253
Available-for-sale financial assets	27,561	194
Other non-current financial assets	191,576	2,333
<b>Total</b>	<b>305,373</b>	<b>71,779</b>

#### A. **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

The detail of the cost of acquisition of the most representative long-term available-for-sale financial assets at June 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros		% of Shareholding 06.30.2017	% of Shareholding 12.31.2016
	06.30.2017	12.31.2016		
Jianping Shiyngzi Wind Power Co., Ltd.	4,438	-	25%	-(*)
Wendeng Zhangjiachan Wind Power Co., Ltd.	7,651	-	40%	-(*)
Beipiao CGN Changgao Wind Power Co., Ltd.	4,318	-	25%	-(*)
CGN Anqiu Wind Power Co., Ltd.	5,264	-	25%	-(*)
Beipiao Yangshugou Wind Power Co., Ltd.	2,349	-	25%	-(*)
Datang (Jianping) New Energy Co., Ltd.	1,812	-	25%	-(*)
Others	1,729	194	Several	Several
<b>Total</b>	<b>27,561</b>	<b>194</b>		

(\*) owned by former GAMESA Group.

As at June 30, 2017, SIEMENS GAMESA holds investments in various Chinese companies (wind farms) in general with ownership interests of 25% to 40%. Despite holding ownership interests of more than 20%, SIEMENS GAMESA's management considers that significant influence does not exist in these companies since there is no power to participate in decisions regarding the financial and operating policies of these companies. In general, SIEMENS GAMESA takes part in the capital of these companies with the sole objective of favouring the granting of the relevant permits for the development of the plants and the construction and sale of wind turbines for those windfarms. .

With the goal of determining that the recoverable value of these stakes is not lower than book value for which they are recorded, SIEMENS GAMESA requires the results and the property status be reviewed by an external auditor. These reviews take place annually and no significant impairments have been identified in the book value of the aforementioned participations.

During the current reporting period, there has been no dividend income from these Chinese investments or gains from their sale.

#### B. **OTHER NON-CURRENT FINANCIAL ASSETS**

The amount presented under “Other non-current financial assets” as at June 30, 2017 substantially relates to the long-term portion of an indemnification receivable from the former ADWEN shareholder, Areva.

#### 14. Inventories

	Thousands of euros	
	06.30.2017	12.31.2016
Raw materials and supplies	868,876	294,056
Work in progress and finished goods	1,290,179	529,677
Cost in excess of billings (Note 17)	1,553,067	875,951
Advances to suppliers	165,853	41,839
Inventory write-downs	(273,966)	(93,630)
<b>Total</b>	<b>3,604,009</b>	<b>1,647,892</b>

Cost of sales includes inventories recognised as expense amounting to EUR 1,928.4 million and EUR 1,666.5 million in the first six months of 2017 and 2016, respective.

The write-down of inventories recognised as expense (as a reduction of expense) amounting to EUR (7.5) million and EUR 4.1 million, respectively, in the first half year of 2017 and 2016. The increase of inventory write-downs in 2017 is mainly related to the SIEMENS GAMESA Merger transaction and the fair value of assets at the acquisition date. This fair value is reflected in the gross value of the assets and the regarding asset allowance.

As of June 30, 2017 and December 31, 2016 there were no inventories pledged as security for liabilities.

#### 15. Trade and other receivables

The detail of "Trade and other receivables" in the Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	06.30.2017	12.31.2016
Trade and other receivables from third party	1,054,943	371,353
Trade and other receivables from related parties (Note 32)	318,534	771
Impairment due to uncollectible receivables	(63,589)	(6,589)
<b>Total</b>	<b>1,309,888</b>	<b>365,535</b>

All the aforementioned balances mature in less than twelve months and are non-interest-bearing.

The heading "Impairment due to uncollectible receivables" includes the allowances for doubtful accounts based on a recoverability analysis performed by SIEMENS GAMESA for uncollected past-due amounts and potential problems relating to the collection of non matured items. The increase in this position in 2017 is mainly related to the SIEMENS GAMESA Merger transaction and the fair value of receivables at the acquisition date. This fair value is reflected in the gross value of the receivable and the regarding receivable allowance.

The carrying amount of the receivables and other receivables denominated in foreign currency as of June 30, 2017 and December 31, 2016 is as follows:

Currency	Equivalent value in thousands of euros	
	06.30.2017	12.31.2016
Canadian Dollar	70,716	58,442
US Dollar	148,575	43,638
Pound Sterling	5,903	55,761
Chinese Yuan	96,713	26,358
Danish Krone	24,808	20,828
Swedish Krona	9,759	5,177
Brazilian Real	51,221	2,017
Turkish Lira	3,124	15,145
Australian Dollar	9,989	37,454
Norwegian Krone	46,832	970
Indian Rupee	295,525	-
Other currencies	32,663	7,398
<b>Total</b>	<b>795,831</b>	<b>273,187</b>

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

	Thousands of euros	
	2017	2016
<b>At January 1</b>	6,651	2,307
Reversal of unused amounts (Note 29.E)	(2,766)	(1,154)
Creation of provisions (Note 29.E)	620	1,849
Usage due to uncollectability	(1,536)	(86)
Additions due to first-time consolidation	62,825	-
Exchange differences	(2,206)	(8)
<b>At June 30</b>	<b>63,589</b>	<b>2,908</b>

## 16. Cash and other cash equivalents

The breakdown of "Cash and cash equivalents" in the accompanying Consolidated Balance Sheets at June 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros	
	06.30.2017	12.31.2016
Cash in euros	608,932	115,448
Cash in foreign currency (Note 4.M)	711,171	32,775
Liquid assets in less than three months	155,041	-
<b>Total</b>	<b>1,475,144</b>	<b>148,223</b>

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

Liquid assets in less than three months is mainly denominated in foreign currency (Note 4.M).

## 17. Construction contracts in progress

The breakdown of the construction contracts in progress is the following:

	06.30.2017	12.31.2016	01.01.2017 - 06.30.2017	01.01.2016 – 06.30.2016
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	11,090,794	8,892,151	-	-
Amount of contract revenue recognised as revenue in the period	-	-	3,238,962	3,142,031
Amount of retentions	4,681	18,490	-	-
Costs in Excess of Billings	1,553,067	875,951		
<i>thereof Related Parties</i>	183,478	168,243		
Billings in Excess of Costs	1,623,103	1,505,141		
<i>thereof Related Parties</i>	112,677	260,435		
Amount of advances received (financing type advances) only positive amount	332,636	65,144		
<i>thereof Related Parties</i>	136,292	-		

When the outcome of a construction contract can be estimated reliably, SIEMENS GAMESA applies the percentage of completion method for construction contracts, based on the percentage of costs incurred to date compared to the total estimated contract costs.

The aggregate amount of costs incurred and recognised profits (less recognised losses) for construction contracts in progress as of June 30, 2017 and December 31, 2016 amounted to EUR 11,090,794 thousands and EUR 8,892,151 thousands, respectively. The amount of revenue from construction contracts (meeting the requirements indicated in Note 2.B) recognised in the period amounted to EUR 3,238,962 thousands and EUR 3,142,031 thousands for fiscal 2017 (until June 30) and 2016 (until June 30).

The gross amount for construction contracts due from customers, included under "Inventories", amounted to EUR 1,553,067 thousands and EUR 875,951 thousands, respectively, as of June 30, 2017 and December 31, 2016. This includes an amount of EUR 183,478 thousands from related parties as of June 30, 2017 ( EUR 168,243 thousand as of December 31, 2016). The gross amount due to customer for contract work, included in "Other current liabilities", amounted to EUR 1,623,103 thousands and EUR 1,505,141 thousands, respectively, as of June 30, 2017 and December 31, 2016. This includes an amount of EUR 112,677 thousands to related parties as of June 30, 2017 (EUR 260,435 thousand as of December 31, 2016).

The amount of advances received from costumers before the related work of the construction work is performed, included under "Other current liabilities", amounted to EUR 332,636 thousands and EUR 65,144 thousands, respectively, as of June 30, 2017 and December 31, 2016. This includes advanced payments received from related parties in an amount of EUR 136,292 thousands as of June 30, 2017 (EUR zero thousands as of December 31, 2016). The retentions, as amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified, amounted to EUR 4,681 thousands and EUR 18,490 thousands, respectively, as of June 30, 2017 and December 31, 2016.

## 18. Equity of the Parent Company

### A. **ISSUED CAPITAL**

The Share capital of SIEMENS GAMESA Renewable Energy, S.A. at June 30, 2017 amounts to EUR 115,794 thousands being composed of 681,143,382 ordinary shares of EUR 0.17 of nominal value each, represented by means of annotations into account, fully subscribed and disbursed.

According to information of the company, the shareholder structure of SIEMENS GAMESA at June 30, 2017 was as follows:

	<b>% Shareholding 06.30.2017</b>
Siemens AG	59.000%
Iberdrola, S.A.	8.071%
Others (*)	32.929%
<b>Total</b>	<b>100.000%</b>

(\*) All with an ownership interest of less than 3% and there are no significant shareholders according to the article 32 of the Royal Decree 1362/2007 of October 19 on shareholders required to notify their stake due to the residence in a tax haven or in a country of zero taxation or with no effective exchange of tax information.

SIEMENS GAMESA shares are IBEX 35 listed through the Automated Quotation System (Mercado Continuo) at the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges.

At June 30, 2017, the SIEMENS GAMESA Group was within the parameters set by management for the purpose of managing this risk, as the ratio of debt (net of cash) to equity attributable to the Parent company was -3.57% (-24.98% in December 31, 2016).

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

	<b>Thousands of euros</b>	
	<b>06.30.2017</b>	<b>12.31.2016</b>
<b>Non-current liabilities</b>		
Bank borrowings (Note 20)	481,012	1,723
<b>Current liabilities</b>		
Bank borrowings (Note 20)	758,267	102
<b>Total bank borrowings</b>	<b>1,239,279</b>	<b>1,825</b>
<b>Cash and other cash equivalents (Note 16)</b>	<b>(1,475,144)</b>	<b>(148,223)</b>
<b>Bank borrowings net of cash</b>	<b>(235,865)</b>	<b>(146,398)</b>
<b>Total Equity of the Parent Company</b>	<b>6,609,122</b>	<b>586,041</b>
<b>Proportion of debt (net of cash) and equity attributable to the Parent company</b>	<b>(3.57%)</b>	<b>(24.98%)</b>

### B. **CAPITAL RESERVE**

The Spanish Companies Act allows the use of the share premium to increase share capital and there is no specific restrictions for the share premium.

### C. UNREALISED ASSET AND LIABILITY REVALUATION RESERVE

The changes in this reserve in 2017 and 2016 were as follows:

	Thousands of euros			06.30.2017
	12.31.2016	Change in fair value	Taken to profit and loss	
<b>Cash-flow hedges</b>				
Interest rate swaps	-	(78)	382	304
Securities of electricity prices	-	(192)	36	(156)
Currency forwards	27,926	39,140	198	67,264
	<b>27,926</b>	<b>38,870</b>	<b>616</b>	<b>67,412</b>
<b>Deferred taxes due to the remeasurement of unrealised assets and liabilities</b>	<b>(5,955)</b>	<b>(10,895)</b>	<b>(102)</b>	<b>(16,952)</b>
<b>Total</b>	<b>21,971</b>	<b>27,975</b>	<b>514</b>	<b>50,460</b>

	Thousands of euros			06.30.2016
	12.31.2015	Change in fair value	Taken to profit and loss	
<b>Cash-flow hedges</b>				
Currency forwards	15,914	18,462	(6,407)	27,969
	<b>15,914</b>	<b>18,462</b>	<b>(6,407)</b>	<b>27,969</b>
<b>Deferred taxes due to the remeasurement of unrealised assets and liabilities</b>	<b>(866)</b>	<b>(5,826)</b>	<b>46</b>	<b>(6,646)</b>
<b>Total</b>	<b>15,047</b>	<b>12,636</b>	<b>(6,360)</b>	<b>21,323</b>

### D. LEGAL RESERVES

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

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other reserves are not available for this purpose. Siemens Wind Power had no other reserves in the previous year.

### E. TREASURY SHARES

The change of treasury shares is as follows:

	Number of Shares	Thousands of euros	Average price
<b>Balance at January 1, 2017</b>	-	-	-
First time consolidation at April 3, 2017	1,674,209	(37,410)	22.345
Acquisitions	4,562,229	(91,231)	19.997
Disposals	(4,600,909)	96,154	20.889
<b>Balance at June 30, 2017</b>	<b>1,635,529</b>	<b>(32,487)</b>	<b>19.864</b>
	Number of Shares	Thousands of euros	Average price
<b>Balance at January 1, 2016</b>	-	-	-
Acquisitions	-	-	-
Disposals	-	-	-
<b>Balance at June 30, 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>

The nominal value of the treasury shares acquired directly or indirectly by SIEMENS GAMESA, together with those already held by SIEMENS GAMESA and its subsidiaries does not exceed 10% of share capital in 2017.

## 19. Minority shareholdings

The development of the non-controlling interests from non-wholly owned subsidiaries in 2017 (until June) and 2016 is as follows:

Thousands of euros	
<b>Balance at December 31, 2015</b>	<b>(3,648)</b>
Profit for the six-month period	(65)
Other movements	4,630
<b>Balance at June 30, 2016</b>	<b>917</b>
<b>Balance at December 31, 2016</b>	<b>66</b>
Additions due to SIEMENS GAMESA Merger	448
Profit for the six-month period	305
Other movements	686
<b>Balance at June 30, 2017</b>	<b>1,505</b>

The minority shareholdings are not material for the Consolidated Financial Statements of SIEMENS GAMESA as of June 30, 2017 and December 31, 2016.

## 20. Debt

The debt in the balance sheet at June 30, 2017 and December 31, 2016 as well as the maturity dates are as follows:

	Carrying Value	Debts at June 30, 2017 maturing at						Total Non-current
		Current	Non-current					
			< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	
Balance at 06.30.2017								
Loans from banks	1,044,986	577,095	325,061	63,510	39,090	31,021	9,209	467,890
Finance leases	6,044	668	717	769	824	3,066	-	5,376
<b>Loans in euros</b>	<b>1,051,030</b>	<b>577,763</b>	<b>325,778</b>	<b>64,279</b>	<b>39,914</b>	<b>34,087</b>	<b>9,209</b>	<b>473,267</b>
Indian Rupee	156,876	154,876	2,000	-	-	-	-	2,000
Chinese Yuan	22,614	22,614	-	-	-	-	-	-
Swedish Krona	4,461	384	385	408	431	456	2,398	4,078
Denmark Krona	1,740	93	101	110	120	131	1,185	1,647
Other	2,559	2,538	13	8	-	-	-	21
<b>Loans and credits facilities denominated in foreign currency (Note 4.M)</b>	<b>188,250</b>	<b>180,504</b>	<b>2,499</b>	<b>526</b>	<b>551</b>	<b>586</b>	<b>3,583</b>	<b>7,745</b>
<b>Total</b>	<b>1,239,280</b>	<b>758,267</b>	<b>328,277</b>	<b>64,805</b>	<b>40,465</b>	<b>34,673</b>	<b>12,792</b>	<b>481,012</b>

	Carrying Value	Debts at December 31, 2016 maturing at						Total Non-current
		Current			Non-current			
		Balance at 12.31.2016	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	
Loans from banks	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-
<b>Loans in euros</b>	-	-	-	-	-	-	-	-
Indian Rupee	-	-	-	-	-	-	-	-
Chinese Yuan	-	-	-	-	-	-	-	-
Swedish Krona	-	-	-	-	-	-	-	-
Denmark Krona	1,784	89	97	106	115	125	1,252	1,695
Other	41	13	13	15	-	-	-	28
<b>Loans and credits facilities denominated in foreign currency (Note 4.M)</b>	<b>1,825</b>	<b>102</b>	<b>110</b>	<b>120</b>	<b>115</b>	<b>125</b>	<b>1,252</b>	<b>1,723</b>
<b>Total</b>	<b>1,825</b>	<b>102</b>	<b>110</b>	<b>120</b>	<b>115</b>	<b>125</b>	<b>1,252</b>	<b>1,723</b>

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

The debt in the balance sheet at June 30, 2017 relates to historical financing agreements of GAMESA as follows:

- On December 19, 2008, Gamesa Eólica, S.L. Unipersonal entered into a financing agreement with the European Investment Bank for a maximum of EUR 200 million, divided into two parts, EUR 140 million and EUR 60 million, respectively. The terms of this credit set maturity in 2018 and 2019 and an interest rate indexed to Euribor plus a market spread. These credits were fully disposed at December 31, 2014. On March 31, 2015, Gamesa Eólica, S.L. Unipersonal partially and in advance amortised EUR 40 million of this loan, so being the rest of the loan disposed at June 30, 2017 amounting EUR 160 million.
- At November 29, 2012, Gamesa Eólica, S.L. Unipersonal obtained a EUR 260,000 thousands loan from the European Investment Bank to finance innovation, research and development projects relating to the processes of improving existing wind turbines, and the development of new products. The conditions of this loan establish its maturity date in 2019 and it accrues an interest rate referenced to the Euribor rate plus a market spread. This loan is fully disposed at June 30, 2017.
- At June 3, 2014, GAMESA signed a novation of a syndicated credit line contract ("revolving") amounting EUR 350 million maturing in June 2018. The terms of the credit line establish an interest rate indexed to Euribor plus a market spread. At December 11, 2014, GAMESA signed a novation of this syndicated credit line, increasing the limit to EUR 750 million maturing in December 2019. Additionally, on December 17, 2015, GAMESA signed a new novation of that credit line, maintaining the limit amount on EUR 750 million and extending its maturity to 2022. On December 14, 2016 GAMESA signed the extending of its maturity to 2023. At June 30, 2017 GAMESA did not disposed any amount.

At June 30, 2017, the GAMESA Group companies had been granted loans and undrawn credit facilities that accounted for 54.69% of the total financing granted to it, which mature between 2017 and 2026 and which bear weighted average interest at Euribor plus a market spread. The loans outstanding at June 30, 2017 bore annual weighted average interest at approximately 1.97% at that date.

At June 30, 2017 this caption also includes EUR 30,809 thousand of interest-free advances provided to the Group companies Gamesa Innovation and Technology, S.L.U, Gamesa Energy Transmission, S.A.U and Gamesa Electric, S.A.U by the Ministry of Science and Technology and other public agencies to finance R&D projects, which are repayable over 7 or 10 years, following a three-year grace period.

At June 30, 2017 the companies of the Consolidated Group had disposed loan agreements amounting EUR 424 million 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 June 30, 2017, the established financial ratios are met and the Group estimates that will be also met in the future.

At June 30, 2017, the GAMESA Group have one bank borrowings tied to fixed interest rates of EUR 26 million (Note 5.A).

The fair value, taking into consideration the counterparty credit risk, of bank borrowings at June 30, 2017 is similar to the carrying value since the debt is subject to variable interest rates and accrued market spreads (Note 4.J).

The sensitivity of the market value of bank borrowings based on the position to interest rate changes at June 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros			
	Interest rate change			
	06.30.2017		12.31.2016	
Change in the value of the debt	+0.25%	-0.25%	+0.25%	-0.25%
	2,507	(2,507)	4	(4)

The sensitivity of the market value of foreign currency bank borrowings based on the position to exchange rate and interest rate changes at June 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros							
	06.30.2017				12.31.2016			
	Change in the interest rate		Change in Exchange rate (EUR/foreign currency)		Change in the interest rate		Change in Exchange rate (EUR/foreign currency)	
<b>Change in the value of the debt</b>	<b>+0.25%</b>	<b>-0.25%</b>	<b>+5%</b>	<b>-5%</b>	<b>+0.25%</b>	<b>-0.25%</b>	<b>+5%</b>	<b>-5%</b>
Indian Rupee	245	(245)	7,470	(8,257)	-	-	-	-
Chinese Yuan	39	(39)	1,077	(1,190)	-	-	-	-
Swedish Krona	3	(3)	212	(235)	-	-	-	-
Denmark Krona	4	(4)	83	(92)	4	(4)	85	(94)

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

The SIEMENS 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 5.A and 21).

## 21. Derivative financial instruments

The SIEMENS GAMESA Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly foreign currency and interest rate risk. The detail of the balances that represent the revaluation of derivatives in the Consolidated Balance Sheets at June 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros			
	06.30.2017			
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
<b>INTEREST RATE HEDGES</b>				
Cash-flow hedges	211	-	-	2,344
<b>ELECTRIC PRICES HEDGES</b>				
Cash-flow hedges	-	-	1	347
<b>FOREIGN CURRENCY HEDGES</b>				
Cash-flow hedges	25,591	34,869	56,678	3,261
Fair value hedges	-	62	-	-
No hedge accounting	20,936	35,446	15,466	3,342
<b>OTHER DERIVATIVES</b>				
Embedded derivatives	19,173	14,177	14,091	1,315
Other derivatives	289	62	-	-
<b>Total</b>	<b>66,200</b>	<b>84,617</b>	<b>86,236</b>	<b>10,609</b>

	Thousands of euros			
	12.31.2016			
	Current		Non-current	
	Assets (Note 12)	Liabilities (Note 12)	Assets (Notes 12 and 13)	Liabilities (Note 12)
<b>INTEREST RATE HEDGES</b>				
Cash-flow hedges	-	-	-	-
<b>ELECTRIC PRICES HEDGES</b>				
Cash-flow hedges	-	-	-	-
<b>FOREIGN CURRENCY HEDGES</b>				
Cash-flow hedges	28,162	35,194	54,793	15,642
Fair value hedges	1,050	2,387	-	-
No hedge accounting	20,725	22,636	1,811	19,304
<b>OTHER DERIVATIVES</b>				
Embedded derivatives	5,951	3,226	12,649	2,581
Other derivatives	838	6	-	-
<b>Total</b>	<b>56,726</b>	<b>62,449</b>	<b>69,253</b>	<b>37,527</b>

In the six month period ending June 30, 2017, the SIEMENS GAMESA Group recognised an expense of EUR 382 thousands (EUR zero in the six month period ending June 30, 2016) under "Interest expenses" and an expense of EUR 198 thousands (income of EUR 6,407 thousands in the six month period ending June 30, 2016) under "Cost of Sales" of the Consolidated Income Statement. These amounts have been reclassified from "Equity - Unrealised asset and liability revaluation reserve" (Note 18.C), under which they had previously been presented.

The SIEMENS GAMESA Group uses derivatives as foreign currency hedges to mitigate the possible volatility effect of exchange rate fluctuations on future cash flows from transactions and loans in currencies other than the functional currency of the company concerned. In addition, SIEMENS GAMESA Group designates hedges for the exchange rate risk deriving from certain intragroup monetary transactions carried out by companies with different functional currencies. At June 30, 2017 and December 31, 2016 the total nominal value covered by exchange rate hedges is as follows:

Currency	Thousands of euros	
	06.30.2017	12.31.2016
Danish Krona	2,512,119	1,874,143
Sterling Pound	713,970	684,563
US Dollar	230,750	117,802
South African Ran	127,914	134,815
Chinese Yuan	124,408	-
Indian Rupee	113,652	-
Australian Dollar	51,890	13,753
Japanese Yen	43,884	43,821
Canadian Dollar	37,670	47,971
Brazilian Real	28,563	-
Turkish Lira	22,209	-
Moroccan Dirham	21,629	-
Norwegian Korona	21,061	24,196
Mexican Peso	19,879	-
Swedish Krona	17,361	6,501
Others	35,274	6,560
<b>Total</b>	<b>4,122,233</b>	<b>2,954,125</b>

Also, the SIEMENS GAMESA Group arranges interest rate hedges in order to mitigate the effect of interest rate fluctuations on future cash flows from loans tied to variable interest rates. At June 30, 2017 and December 31, 2016, the nominal value of the liabilities hedged by interest rate hedges amounted to EUR 217,260 thousands and EUR 0, respectively.

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

06.30.2017	Estimated period of cash-flows	
	2017	2018 and subsequent
Interest rate hedges	1,120	216,140

12.31.2016	Estimated period of cash-flows	
	2017	2018 and subsequent
Interest rate hedges	-	-

No significant ineffectiveness has been detected in the hedges designated by SIEMENS GAMESA Group at June 30, 2017 and December 31, 2016.

## A. CREDIT RISK

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

	06.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
<b>By Geographical area</b>				
Germany	95,972	63%	102,868	82%
Spain	7,890	5%	-	-
Other European Union countries	25,839	17%	17,811	14%
Rest of the world	22,736	15%	5,300	4%
<b>Total</b>	<b>152,437</b>	<b>100%</b>	<b>125,979</b>	<b>100%</b>
<b>By Counterparty</b>				
Credit institutions	18,070	12%	1,843	1%
Related parties	97,473	64%	105,536	84%
Other institutions (Notes 3.J)	36,894	24%	18,600	15%
<b>Total</b>	<b>152,437</b>	<b>100%</b>	<b>125,979</b>	<b>100%</b>

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

	06.30.2017		12.31.2016	
	Thousands of euros	%	Thousands of euros	%
Risks rated A or A-	118,442	78%	107,379	85%
Risks rated BBB+	5,028	3%	272	0%
Risks rated BBB	4,337	3%	-	0%
Risks rated BBB- or less	24,627	16%	18,328	15%
<b>Total</b>	<b>152,436</b>	<b>100%</b>	<b>125,979</b>	<b>100%</b>

## B. MARKET RISK

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

Thousands of euros	Percentage change in interest rate			
	2017		2016	
	+5%	-5%	+5%	+5%
Change in the value of the hedge	(107)	107	-	-

Thousands of euros	Percentage change in exchange rates			
	2017		2016	
	+5%	-5%	+5%	-5%
Change in the value of the hedge	2,861	(2,861)	1,300	(1,300)

### C. MATURITY OF DERIVATIVE LIABILITIES

The maturity levels of derivative liabilities are as follows:

	Thousands of euros			
	06.30.2017			
	Derivative Liabilities			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	2,217	64	63
Electric prices hedges	-	-	-	347
Foreign currency hedges	70,377	3,089	2,647	867
Other derivatives	14,240	1,315	-	-
<b>Total</b>	<b>84,617</b>	<b>6,621</b>	<b>2,711</b>	<b>1,277</b>

	Thousands of euros			
	12.31.2016			
	Derivative Liabilities			
	< 1 year	1-2 years	2-3 years	> 3 years
Interest rate hedges	-	-	-	-
Electric prices hedges	-	-	-	-
Foreign currency hedges	59,217	8,064	10,490	16,392
Other derivatives	3,232	2,581	-	-
<b>Total</b>	<b>62,449</b>	<b>10,645</b>	<b>10,490</b>	<b>16,392</b>

## 22. Provisions

Thousands of euros Year 2017	Beginning Balance	Additions due to first-time consolidation	Period provisions charged to income statement (Note 29.E)	Provisions used for their intended purpose	Differences on exchange in foreign currency	30.06.2017	Thereof non- current
Warranties	1,195,593	847,747	116,420	(157,841)	(702)	<b>2,001,217</b>	1,450,043
Order related losses and risks	35,351	214,542	22,136	(15,385)	(837)	<b>255,807</b>	218,133
Other	16,497	56,897	895	(3,776)	(2,082)	<b>68,431</b>	39,708
<b>Total</b>	<b>1,247,441</b>	<b>1,119,186</b>	<b>139,451</b>	<b>(177,002)</b>	<b>(3,621)</b>	<b>2,325,455</b>	<b>1,707,884</b>

Thousands of euros Year 2016	Beginning Balance	Additions due to first-time consolidation	Period provisions charged to income statement (Note 29.E)	Provisions used for their intended purpose	Differences on exchange in foreign currency	30.06.2016	Thereof non- current
Warranties	1,151,706	-	184,931	(174,978)	(1,487)	<b>1,160,172</b>	834,989
Order related losses and risks	11,656	-	(2,036)	(12,017)	4,861	<b>2,464</b>	54
Other	13,806	-	1,202	(904)	515	<b>14,619</b>	1,159
<b>Total</b>	<b>1,177,168</b>	<b>-</b>	<b>184,097</b>	<b>(187,899)</b>	<b>3,889</b>	<b>1,177,255</b>	<b>836,202</b>

Provisions are recognised if SIEMENS GAMESA has a present legal or constructive obligation as a result of past events, which will lead to a probable outflow of resources embodying economic benefits in the future and a reliable estimate can be made of the amount of the obligation. Provisions are recognised at the present value of the expenditure required to settle the present obligation. The majority of the provisions of the SIEMENS GAMESA Group are generally expected to result in cash outflows during the next one to ten years.

Warranty provisions are related to repair and replacement costs resulting from component defects or functional errors, which are covered by SIEMENS GAMESA during the warranty period. In addition to this, non-recurring provisions derived from various factors, such as customer complaints, are recorded.

SIEMENS GAMESA recognises provisions for order related losses and risks when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Other provisions include various types of provisions, such as provisions for legal proceedings or personnel-related provisions.

### **23. Post-employment benefits**

The Group provides post-employment defined benefit plans or defined contribution plans to certain Group employees.

The expense recognized for post-employment defined contribution plans amounts to EUR 30.6 million during the current reporting period.

The Group provides post-employment defined benefit plans to almost all of the Group's employees in Germany. Outside Germany predominantly service gratuities and severance indemnities from legislative requirements or industry arrangements are provided by a limited number of entities in several jurisdictions.

The Group's major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement), those plans are managed in the interest of the beneficiaries.

The defined benefit plans cover about 3,000 participants, virtually completely constituted by active employees only.

In Germany, the Group provides pension benefits through the plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of the Group's active employees participate in the BSAV. Those benefits are predominantly based on contributions made by the Group and returns earned on such contributions, subject to a minimum return guaranteed by the Group. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases. However, these frozen plans still expose the Group to investment risk, interest rate risk and longevity risk. No legal or regulatory minimum funding requirements apply. Instead, the pension plans are funded via contractual trust arrangements (CTA).

The net defined benefit balance of EUR 13.7 million as of June 30th, 2017 and EUR 7.1 million as of December 31st, 2016 comprised EUR 36.9 million gross defined benefit obligation (DBO) and EUR 23.2 million pension assets as of June 30th, 2017 and EUR 30.2 million gross DBO and EUR 23.1 million pension assets as of December 31st, 2016.

During the current reporting period, the Group recognized EUR 2.4 million net periodic benefit cost, comprising EUR 2.3 million current service cost.

## 24. Other non-current liabilities

The breakdown of "Other non-current liabilities" in the accompanying Consolidated Balance Sheets is as follows:

	Thousands of euros	
	06.30.2017	12.31.2016
Long-term accruals	3,130	8,480
Deferred income	7,972	8,720
Other non-current liabilities	7,390	860
<b>Total</b>	<b>18,492</b>	<b>18,060</b>

## 25. Income tax expense/(income)

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

Six months period ending June 30	Thousands of euros	
	2017	2016
Current taxes	107,043	1,504
Deferred taxes	(53,836)	22,363
<b>Income tax expense/(income)</b>	<b>53,207</b>	<b>23,867</b>

The current income tax expense in the six month period ended June 30, 2017 and 2016 include adjustments recognized for current tax of prior years in the amount of EUR (553) thousands and EUR 344 thousands, respectively. The deferred tax expense (benefit) in the six month period ended June 30, 2017 and 2016 includes tax effects of the origination and reversal of temporary differences of EUR (61,082) thousands and EUR 15,115 thousands, respectively.

Income tax expense (current and deferred) differs from the amounts computed by applying the combined statutory Spanish income tax rate of 28% as follows:

Six months period ending June 30	Thousands of euros	
	2017	2016
<b>Income before taxes</b>	<b>184,850</b>	<b>267,159</b>
Expected income tax expense	51,758	74,805
Increase (decrease) resulting from		
- Non-deductible losses and expenses	17,351	658
- Tax-free income	(12,863)	(7)
- Taxes for prior years	(405)	(739)
- Change in realizability of deferred tax assets and tax credits	8,311	-
- Change in tax rates	(251)	-
- Foreign tax rate differential	(9,675)	4,061
- Tax effect of investments accounted for using the equity method	354	-
- Taxes borne by Siemens Regional Companies before SWP carve-out (*)	397	(54,924)
- Other, net	(1,771)	13
<b>Actual income tax expense</b>	<b>53,207</b>	<b>23,867</b>

(\*) Income taxes relating to the pre-existing legal entities and the SWP NewCos have been included from their respective carve-out date. Before carve-out, income tax expenses have been borne by the Siemens Regional Companies and are therefore not included in the statement of profit and loss of the SIEMENS GAMESA Group. Had the carve-out been completed in all countries before January 1, 2016, the additional tax expense of the SIEMENS GAMESA reporting group for the six months period ending June 30, 2016 would be approximately EUR 54,924 thousands.

## 26. Deferred taxes

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 June 30, 2017 and December 31, 2016 arose as a result of the following circumstances:

- The different accounting and tax methods for recognising certain provisions.
- Temporary differences deriving from the limit of deducting financial expenses for tax purposes.
- The preliminary Purchase Price Allocation (PPA) effect.

The breakdown of “Deferred tax assets” and “Deferred tax liabilities” on a gross basis in the accompanying Consolidated Balance Sheet at June 30, 2017 and December 31, 2016 is as follows:

Thousands of euros	06.30.2017	12.31.2016
<b>Assets</b>		
Non-current and current assets	130,699	27,614
Liabilities	327,374	175,856
Other	26,135	68
Tax loss carryforwards	137,405	11,659
Tax credit carryforwards	80,166	-
<b>Deferred tax assets</b>	<b>701,779</b>	<b>215,197</b>
<b>Liabilities</b>		
Non-current and current assets	911,000	145,385
Liabilities	68,106	1,991
Other	5,423	-
<b>Deferred tax liabilities</b>	<b>984,529</b>	<b>147,376</b>
<b>Total deferred tax assets (liabilities), net</b>	<b>(282,749)</b>	<b>67,821</b>

The change in Deferred taxes substantially relates to the first-time consolidation of GAMESA (Note 1.B).

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

Deferred tax assets have not been recognized with respect of the following items (gross amounts):

	Thousands of euros	
	06.30.2017	12.31.2016
Deductible temporary differences	338,082	-
Tax loss carryforwards	548,661	-
Tax credit carryforwards	191,214	-
	<b>1,077,957</b>	<b>-</b>

As of June 30, 2017, EUR 316,171 thousands of the unrecognized tax loss carryforwards expire over the periods to 2034 and EUR 158,826 thousands of the unrecognized tax credits expire over the periods to 2031.

The SIEMENS GAMESA Group has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of EUR 729,088 thousands and EUR 95,212 thousands, respectively in fiscal 2017 and 2016 because the earnings are intended to be permanently reinvested in the subsidiaries.

Including items charged or credited directly to equity and the expense (benefit) from continuing and discontinued operations, the income tax expense (benefit) consists of the following:

	Thousands of euros	
	06.30.2017	12.31.2016
Continuing operations	53,207	23,867
Discontinued operations	-	-
Income and expenses recognized directly in equity	10,998	5,780
<b>Total</b>	<b>64,205</b>	<b>29,647</b>

## 27. Other current assets and liabilities

The detail of other current assets and liabilities at June 30, 2017 and December 31, 2016 is as follows:

	Thousands of euros	
	06.30.2017	12.31.2016
<b>Other current tax assets</b>		
Other tax receivables	419,857	34,437
<b>Non-tax related current assets</b>		
Prepaid expenses	51,167	28,450
Other current assets	2,105	708
<b>Total</b>	<b>473,129</b>	<b>63,595</b>

	Thousands of euros	
	06.30.2017	12.31.2016
<b>Other current tax liabilities</b>		
Other tax liabilities	296,888	39,030
<b>Non-tax related current liabilities</b>		
Billings in excess of costs (Note 17)	1,623,103	1,505,141
Current liabilities to personnel	268,139	159,143
Other current liabilities	561,853	261,674
<b>Total</b>	<b>2,749,982</b>	<b>1,964,988</b>

## 28. Commitments, guarantees to third parties and contingent liabilities

At June 30, 2017, the SIEMENS GAMESA Group had provided guarantees to third parties amounting EUR 94,245 thousands (EUR 12,362 thousands at December 31, 2016). The breakdown by type of the guarantees provided by the SIEMENS GAMESA Group is as follows:

	Thousands of euros	
	06.30.2017	12.31.2016
Financing Guarantees	78,725	12,362
Guarantees provided to the government	15,520	-
<b>Total</b>	<b>94,245</b>	<b>12,362</b>

The SIEMENS GAMESA Group considers that the liabilities, if any, which might arise from the obligations and guarantees shown in the table above in addition to those for which provisions had been recognised at June 30, 2017 and December 31, 2016 would not be significant.

In addition, the SIEMENS GAMESA Group provides Credit guarantees which cover the financial obligations of third parties generally in cases where the SIEMENS GAMESA Group is the vendor and (or) contractual partner or the SIEMENS GAMESA Group is liable for obligations of associated companies accounted for using the equity method. Total outstanding credit guarantees amount to EUR 317 thousands as at June 30, 2017 and EUR 344 thousands as at December 31, 2016, respectively.

Furthermore, the SIEMENS GAMESA Group issues guarantees of third-party performance for project partners. In the event of non-fulfilment of contractual obligations by the partner(s), the SIEMENS GAMESA Group will be required to pay up to an agreed-upon maximum amount. The total amount of guarantees of third-party performance as at June 30, 2017 is EUR 43,461 thousands (EUR 43,524 thousands as at December 31, 2016).

Additionally, in line with widespread industry practice, the Group grants guarantees and compensation commitments to cover obligations arising from the ordinary course of its business, coming from the sale of assets and from potential liabilities of its activities. As at the date of these Consolidated Financial Statements, the probability of a breach that would trigger a liability for these commitments to any material extent is remote.

## 29. Revenue and expense

### A. REVENUE AND OTHER OPERATING INCOME

The detail of these headings in the 2017 and 2016 Consolidated Income Statements is as follows:

	Thousands of euros	
	2017	2016
Sale of goods	3,656,723	2,672,050
Rendering of services	552,629	510,669
<b>Net revenues</b>	<b>4,209,351</b>	<b>3,182,719</b>

### B. PROCUREMENTS

The detail of "Procurements" in the Consolidated Income Statements by nature for 2017 and 2016 is as follows:

	Thousands of euros	
	2017	2016
Acquisitions of raw materials and other supplies	2,683,793	1,968,843
Changes in inventories	(151,308)	83,871
<b>Total</b>	<b>2,532,485</b>	<b>2,052,714</b>

### C. STAFF COSTS

The breakdown of this balance in the 2017 and 2016 Consolidated Income Statements by nature is as follows:

	Thousands of euros	
	2017	2016
Wages and salaries	674,590	484,719
Social welfare contributions	55,775	37,275
Expenses related to Pension Plans	33,100	32,039
<b>Total</b>	<b>763,466</b>	<b>554,033</b>

Linked to the achievement of strategic medium-and long-term objectives, the Management Board of GAMESA approved in 2016 a 2016-17 incentive of which were beneficiaries key personnel in number of approximately 100 employees, linked to achieving an operating result (EBIT) of the period from January 1, 2016, up to the date of effectiveness of the Merger. This incentive plan includes a period of permanence for their full payment of two years. Based on this agreement, and during the current reporting period, the Company recognized EUR 1.26 million cost.

The average number of employees and Directors in 2017 and 2016, by professional category, was as follows:

Categories	2017	2016
Board Members	6	-
Executive / Senior management	216	109
Managers	2,266	1,351
Individual contributor	18,340	11,988
<b>Total</b>	<b>20,828</b>	<b>13,448</b>

The distribution of employees by gender in June 30, 2017 and June 30, 2016 is as follows:

	06.30.2017		
	Male	Female	Total
Board Members	7	6	13
Executive / Senior management	259	29	288
Managers	2,464	611	3,075
Individual contributor	18,611	4,127	22,738
<b>Total</b>	<b>21,341</b>	<b>4,773</b>	<b>26,114</b>

	06.30.2016		
	Male	Female	Total
Board Members	-	-	-
Executive / Senior management	108	6	114
Managers	1,102	272	1,374
Individual contributor	10,139	2,170	12,309
<b>Total</b>	<b>11,349</b>	<b>2,448</b>	<b>13,797</b>

The Executive management is formed by 6 members at June 30, 2017, all of them male (zero member at June 30, 2016).

#### **D. OTHER OPERATING EXPENSES**

The breakdown of this balance in the 2017 and 2016 by nature is as follows:

	Thousands of euros	
	2017	2016
Rent and royalties	190,518	120,565
Professional services	72,336	23,124
Insurance	21,908	7,315
Communications, security and advertising	57,105	17,738
Utilities	14,997	1,045
Travel Expenses	55,457	38,642
Training and staff development	12,097	13,976
Other services	163,791	14,841
Taxes and other	17,999	800
<b>Total</b>	<b>606,209</b>	<b>238,047</b>

At June 30, 2017, the future minimum lease payments under non-cancellable operating leases arranged by SIEMENS GAMESA amounted approximately to EUR 615 million (EUR 547 million in December 31, 2016). The due dates for the operating lease instalments that cannot be cancelled are as follows:

As at 30.06.2017	Thousands of euros		
	2018	2019-2022	2023 onwards
Operating lease instalments that cannot be cancelled	102,133	190,877	321,822

As at 31.12.2016	Thousands of euros		
	2017	2018-2021	2022 onwards
Operating lease instalments that cannot be cancelled	69,845	145,709	332,423

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

#### **E. DEPRECIATION AND AMORTISATION CHARGE AND PROVISIONS**

The breakdown of this balance in the 2017 and 2016 Consolidated Income Statements by nature is as follows:

	Thousands of euros	
	2017	2016
Property, plant and equipment depreciation charge (Note 10)	110,628	69,607
Intangible asset amortisation charge (Note 9)	123,759	9,003
<b>Depreciation</b>	<b>234,387</b>	<b>78,609</b>
Change in operating provisions for guarantees and others (Note 22) (*)	139,451	184,096
Change in write-downs of inventories (Note 14) (*)	(7,477)	4,144
Change in other trade provisions (Note 15)	(2,145)	694
<b>Provisions</b>	<b>129,829</b>	<b>188,935</b>
<b>Depreciation and provisions</b>	<b>364,216</b>	<b>267,544</b>

(\*) Included under the caption "procurements".

#### **F. OTHER FINANCIAL INCOME (EXPENSES), NET**

The breakdown of this balance in the 2017 and 2016 Consolidated Income Statements is as follows:

	Thousands of euros	
	2017	2016
Profits (loss) from available-for-sale assets (Note 13.A)	(12)	-
Other finance and similar income	2,287	619
<b>Total</b>	<b>2,275</b>	<b>619</b>

## G. INTEREST INCOME

The breakdown of this balance in the 2017 and 2016 Consolidated Income Statements is as follows:

	Thousands of euros	
	2017	2016
Interest income from cash in banks and receivables from third parties	5,172	1
Other interest income	375	105
<b>Total</b>	<b>5,547</b>	<b>106</b>

## H. INTEREST EXPENSES

The breakdown of this balance in the 2017 and 2016 Consolidated Income Statements is as follows:

	Thousands of euros	
	2017	2016
Interest expenses from liabilities to third parties	11,836	520
Other interest expenses	3,100	2,930
<b>Total</b>	<b>14,937</b>	<b>3,450</b>

## 30. Directors' remuneration

In 2017, the Directors of SIEMENS GAMESA Board earned fixed and variable salaries, attendance allowances, and other items amounting approximately EUR 4,779 thousands. The compensation for the Directors covers the period from the Merger effective date 3 April 2017 until 30 June 2017. The breakdown is as follows:

Thousands of euros	06.30.2017
<b>Members of the Board of Directors</b>	
<b>Type of remuneration</b>	
Fixed compensation	502
Annual variable compensation	142
Long-term variable compensation	1,000
Attendance allowances	156
	<b>1,800</b>
<b>Others</b>	<b>2,979</b>
<b>Total</b>	<b>4,779</b>

Siemens Wind Power had no equivalent Board of Directors before the Merger with GAMESA. The remuneration of the prior year is not comparable and therefore not disclosed.

The concept of Others at June 30, 2017 corresponds to (i) the amount of the premiums paid for the coverage of death and disability insurances amounting to EUR 4 thousands; (ii) the allocation of the group insurance for executives, directors and other employees in amount of EUR 10 thousands; and (iii) contract termination costs in amount of EUR 2,965 thousands.

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

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

Thousands of euros	06.30.2017
<b>Type of director</b>	
Executives	4,393
External proprietary directors	119
External independent directors	267
<b>Total</b>	<b>4,779</b>

The Directors' remuneration disclosed above does not include the provision of the 2016-17 incentive which the former GAMESA Chairman and CEO is beneficiary for the total estimated maximum amount of EUR 942 thousand. This remuneration is subject and will be effective once the measurement of the objectives is made by the governing bodies. In addition, the remuneration above neither include the 50% of the non-competence clause for which the former GAMESA Chairman and CEO is beneficiary in an amount of EUR 331 thousand.

Finally, the current CEO has a contractual agreement to receive financial compensation in the event of termination for reasons attributable to the Company. The financial compensation agreed for such termination consists of the payment of a compensation up to a maximum of his annual fixed cash compensation at the time at which the agreement was concluded.

### 31. Remuneration of senior management

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

	Thousands of euros
	06.30.2017
Salaries and other short-term compensation	3,231
<b>Total</b>	<b>3,231</b>

The Siemens Wind Power as acquirer of GAMESA had a different management structure in the previous year. The remuneration of senior management is therefore not comparable. The compensation to members of senior management for 2017 is disclosed only and covers the period from the Merger effectiveness date (April 3, 2017).

The remuneration of Senior Management disclosed above does not include the provision charges recognized for the 2016-17 incentive of which members of the Senior Management are beneficiaries. During the current reporting period, those charges amount to EUR 184 thousands. This remuneration will be effective once the measurement and permanence period have finished, and its liquidation amount will be dependent on the effective compliance of the objectives that it is subject to.

Certain senior managers are entitled to join a supplementary pension scheme, which will be formalised in the coming months. On the other hand, certain senior managers have been awarded share plans granting rights over shares of Siemens AG as of June 30th, 2017, being the cost born by Siemens AG.

In relation to the senior management compensations due to labour early termination relationship, the planned policy agreed by the Company is a payment of a maximum of his/her annual fixed cash compensation at the termination date, without prejudice, in any case of pre-existing conditions and the amount that corresponds when applying the labor rules if greater.

In 2017 and 2016 there were no transactions with senior management other than those carried out in the ordinary course of the business.

### 32. Related party balances and transactions

All the significant balances at between the consolidated companies and the effect of the transactions between them during the year were eliminated in consolidation. The breakdown of the transactions related parties which were not eliminated in consolidation in 2017 and 2016 is as follows:

2017	Thousands of euros							
	06.30.2017							
	Inven- -tories	Recei- -vables	Other financial assets	Payables	Other financial liabilities	Other current liabilities	Sales and services rendered	Purchases and services received
Siemens Group (Note 15)	-	286,567	-	244,547	-	-	1,444	318,145
Iberdrola Group	140,400	287,186	-	815	6,079	138,337	310,819	1,353
Windar Renovables	10,170	16,687	-	70,358	-	-	48	32,491
VejaMate Offshore Project GmbH	9,828	-	-	-	-	18,083	645,699	-
Galloper Wind Farm Limited	15,785	14,567	-	-	-	45,665	442,951	-
ZeeEnergie C.V., Amsterdam	-	-	-	-	-	9,151	25,811	-
Buitengaats C.V., Amsterdam	-	-	-	-	-	9,151	25,811	-
Others	7,296	95	12,935	-	-	28,582	24,206	-
<b>Total</b>	<b>183,478</b>	<b>605,101</b>	<b>12,935</b>	<b>315,721</b>	<b>6,079</b>	<b>248,969</b>	<b>1,476,790</b>	<b>351,989</b>

	Thousands of euros					
	12.31.2016				06.30.2016	
	Inventories	Receivabl es	Payables	Other current liabilities	Sales and services rendered	Purchases and services received
Siemens Group (Note 15)	-	1,142,866	110,218	-	724	467,454
VejaMate Offshore Project GmbH	146,773	-	-	91,474	109,139	-
Galloper Wind Farm Limited	3,840	-	-	115,887	3,656	-
ZeeEnergie C.V., Amsterdam	3,767	-	-	10,540	509,442	-
Buitengaats C.V., Amsterdam	3,767	-	-	10,540	509,442	-
Others	10,096	771	-	31,993	9,597	-
<b>Total</b>	<b>168,243</b>	<b>1,143,637</b>	<b>110,218</b>	<b>260,435</b>	<b>1,142,000</b>	<b>467,454</b>

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

## **A. TRANSACTIONS WITH SIEMENS GROUP**

### *Goods and services purchased*

On June 17, 2016, effective April 3, 2017, SIEMENS GAMESA Renewable Energy, S.A. (then “Gamesa Corporación Tecnológica, S.A.”) and Siemens Aktiengesellschaft (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to SIEMENS GAMESA. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of SIEMENS GAMESA Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although the strategic supply contract will have a minimum duration of at least three (3) years (i.e., until April 3, 2020). The award system warrants that the supplies will be carried out under market conditions, as well as the involvement of and access to other suppliers.

On March 31, 2017, SIEMENS GAMESA Renewable Energy, S.A. (at that time, “Gamesa Corporación Tecnológica, S.A.”), and Siemens Aktiengesellschaft (Siemens) entered into a licensing agreement by virtue of which SIEMENS GAMESA is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of SIEMENS GAMESA Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Accordingly, in the event of change of control, license would expire subject to certain transition periods to discontinue the use of the name and trademark SIEMENS.

Dated on April 28, 2017 Gamesa Corporación Tecnológica, S.A. and Siemens Aktiengesellschaft signed a framework agreement over certain information rights and obligations and related matters concerning the relationship between the parties and certain principles governing the rendering of services between the SIEMENS GAMESA Group and the Siemens Group, as the main shareholder of SIEMENS GAMESA.

By virtue of certain agreements reached as a result of the Merger between SIEMENS GAMESA Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain guarantees with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Finally, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party’s competitor.

During the reporting period, the SIEMENS GAMESA Group has purchased supplies for the construction of Wind Turbines from Siemens Group, mainly from the Siemens “Process Industries and Drives” and “Energy Management” Divisions. In addition, Siemens Group has provided services to SIEMENS GAMESA Group based on transitional service agreements such as tax, human resources, legal and treasury services.

### *Guarantees provided by Siemens Group*

As at June 30, 2017, Siemens Group has provided guarantees to third parties for the performance of the SIEMENS GAMESA Group amounting to EUR 21,697 million (December 31, 2016: EUR 19,034 million)

### *Share-based payments*

Certain employees of the SIEMENS GAMESA Group that have transferred from other Siemens entities participate in share-based payment awards implemented by Siemens AG. Siemens AG delivers the respective shares on behalf of SIEMENS GAMESA. Due to the limited extent of participation in the share-based programs, the effect on the Financial Information was not significant in the years presented.

## *Hedging*

The Group's hedging activities are partially performed via Siemens AG and Siemens Capital Company LLC on an arm's length basis. The consideration is based on the normal market rates. The related receivables and payables are disclosed in the lines other (current) financial assets and liabilities.

### **B. AGREEMENTS RELATING TO THE WIND TURBINE AND OPERATIONS AND MAINTENANCE SEGMENTS**

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

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

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

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

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

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

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

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

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

### **C. AGREEMENTS BETWEEN THE GAMESA GROUP AND WINDAR RENOVABLES, S.L.**

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

### **33. Earnings per share**

At June 30, 2017 the average number of ordinary shares used for the calculation of earnings per share is 536,835,781 (Note 18.A) (401,874,595 average number of ordinary shares at June 30, 2016), given that SIEMENS GAMESA has held an average of 815,904 treasury shares (zero at June 30, 2016) (Note 18.E).

The number of ordinary shares in 2016 and until the Merger effective date April 3, 2017 is 401,874,595 shares. The calculation is based on the ordinary shares of the acquirer multiplied by the exchange ratio of 59% established in the Merger agreement. From April 3, 2017 shares are 681.143.382 before the consideration of treasury shares.

The basic earnings per share from continuing operations attributable to the Parent company at June 30, 2017 and 2016 were as follows:

	<b>06.30.2017</b>	<b>06.30.2016</b>
Net profit from continuing operations attributable to the Parent (thousands of euros)	131,338	243,357
Average number of outstanding shares	536,835,781	401,874,595
<b>Total basic earnings per share</b>	<b>0.25</b>	<b>0.61</b>

At June 30, 2017 and 2016, SIEMENS GAMESA Renewable Energy, S.A., the Parent of the SIEMENS GAMESA Group, had not issued financial instruments or other contracts that entitle the holder thereof to receive ordinary shares of the Company. Consequently, diluted earnings per share coincide with basic earnings per share.

### **34. Subsequent events**

There are no significant post balance sheet events, except for the July 2017 closure announcement of the Tillsonburg blade factory in Canada as a result of the manufacturing footprint optimisation and a restructuring plan at its blade plant in Aalborg, Denmark, with no impact on these Consolidated Financial Statements.

### **35. Explanation added for translation to English**

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

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
<b>A) FORMER SIEMENS WIND POWER BUSINESS COMPANIES - FULLY CONSOLIDATED</b>			
Siemens Wind Power A/S	Production/distributing company	Denmark	100%
Siemens Wind Power Blades (Shanghai) Co., Ltd.	Production/distributing company	China	100%
Siemens Wind Power Blades, SARL AU	Production/distributing company	Morocco	100%
Siemens Wind Power Pty Ltd	Service and distribution company	Australia	100%
Siemens Wind Power GmbH	Service and distribution company	Austria	100%
Siemens Wind Power BVBA	Service and distribution company	Belgium	100%
Siemens Wind Power Energia Eólica Ltda.	Service and distribution company	Brazil	100%
Siemens Wind Power Limited	Production/distributing company	Canada	100%
Siemens Wind Power SpA	Service and distribution company	Chile	100%
Siemens Wind Power d.o.o.	Service and distribution company	Croatia	100%
Siemens Wind Power S.A.S.	Service and distribution company	France	100%
Siemens Wind Power GmbH & Co. KG	Production/distributing company	Germany	100%
Siemens Wind Power Kft.	Service and distribution company	Hungary	100%
Siemens Wind Power Limited	Service and distribution company	Ireland	100%
Siemens Wind Power S.r.l.	Service and distribution company	Italy	100%
Siemens Wind Power B.V.	Service and distribution company	Netherlands	100%
Siemens Wind Power AS	Service and distribution company	Norway	100%
Siemens Wind Power Sociedad Anonima Cerrada	Service and distribution company	Peru	100%
Siemens Wind Power, Inc.	Service and distribution company	Philippines	100%
Siemens Wind Power Sp. z o.o.	Service and distribution company	Poland	100%
SIEMENS WIND POWER (PTY) LTD	Service and distribution company	South Africa	70%
Siemens Wind Power Limited	Service and distribution company	Republic of Korea	100%
Siemens Wind Power, S.L.	Service and distribution company	Spain	100%
Siemens Wind Power AB	Service and distribution company	Sweden	100%
Siemens Wind Power Limited	Service and distribution company	Thailand	100%
Siemens Wind Power Rüzgar Enerjisi Anonim Sirketi	Service and distribution company	Turkey	100%
Siemens Wind Power Limited	Production/distributing company	United Kingdom	100%
Siemens Wind Power Inc.	Production/distributing company	United States	100%
Siemens Wind Power Private Limited	Service and distribution company	India	100%
Siemens Wind Energy, SARL	Service and distribution company	Morocco	100%
Siemens Wind Power Management GmbH	Other	Germany	100%
Siemens Wind Power LLC	Service and distribution company	Egypt	100%
Siemens Wind Power Limited, Bangkok	Service and distribution company	Thailand	100%
Siemens Wind Power Limited, Seoul	Service and distribution company	Republic of Korea	100%
Siemens Wind Power Limited, Frimley	Production/distributing company	United Kingdom	100%
Siemens Wind Power Limited, Dublin	Service and distribution company	Ireland	100%
<b>B) FORMER GAMESA COMPANIES - FULLY CONSOLIDATED</b>			
Diversified Energy Transmissions, LLC	Development and distribution company	United States	100%
GM Navarra Wind Energy Pvt Ltd, Chennai	Development and distribution company	India	100%
Kadapa Wind Farms Pvt. Ltd., Chennai	Development and distribution company	India	100%
Kurnool Wind Farms Pvt Ltd, Chennai	Development and distribution company	India	100%
RSR Power Pvt Ltd, Chennai	Development and distribution company	India	100%
Rajgarh Wind Park Private Pvt Ltd, Chennai	Development and distribution company	India	100%
Anantapur Wind Farms Pvt Ltd, Chennai	Development and distribution company	India	100%
Gamesa Wind (Tianjin) Co., Ltd.	Development and distribution company	China	100%
Gamesa (Beijing) Wind Energy System Development Co, Ltd	Development and distribution company	China	100%
Gamesa Trading (Tianjin) Co., Ltd.	Development and distribution company	China	100%
Gamesa Blade (Tianjin) Co., Ltd.	Development and distribution company	China	100%
Jilin Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Inner Mongolia Gamesa Wind Co., Ltd.	Development and distribution company	China	100%
Gamesa Financiación, S.A.	Finance company	Spain	100%
Gamesa Wind GmbH	Holding company	Germany	100%
International Wind Farm Development IV Limited	Holding company	Hong Kong	100%
Adwen GmbH	Holding company	Germany	100%
Gamesa Wind US, LLC	Holding company	United States	100%
International Wind Farm Development V Limited	Holding company	Hong Kong	100%
Gamesa Eolica, S.L. Unipersonal	Holding company	Spain	100%
International Wind Farm Development I Limited	Holding company	Hong Kong	100%
International Wind Farm Development II Limited	Holding company	Hong Kong	100%
International Wind Farm Development VII Limited	Holding company	Hong Kong	100%
Gerr Grupo Energético XXI, S.A. Unipersonal	Holding company	Spain	100%
Navitas Energy Inc	Holding company	United States	97%
Gamesa Europa, S.L.U.	Holding company	Spain	100%
Gamesa Energía, S.A. Unipersonal	Holding company	Spain	100%
Gamesa Wind UK Limited	Holding company	United Kingdom	100%
Adwen Offshore, S.L.	Holding company	Spain	100%
9Ren Espana S.L.	Holding company	Spain	100%
Gamesa Inversiones Energeticas Renovables, S.A.	Holding company	Spain	100%
Gamesa Renewable Pvt Ltd, Chennai	Holding company	India	100%
Gamesa Wind Sweden AB	Holding company	Sweden	100%
Gamesa LATAM S.L.	Holding company	Spain	100%
Gamesa APAC S.L.U.	Holding company	Spain	100%
Gamesa Technology Corporation, INC	Holding company	United States	100%
Jalore Wind Park Private Limited, Chennai	Other	India	100%
Bidwal Renewable Private Limited, Chennai	Other	India	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Mathak Wind Farms Private Limited, Chennai	Other	India	100%
Tirupur Renewable Pvt Ltd, Chennai	Other	India	100%
Sanchore Renewable Private Limited, Chennai	Other	India	100%
Beed Renewable Energy Private Limited, Chennai	Other	India	100%
Tuljapur Wind Farms Private Limited, Chennai	Other	India	100%
Rangareddy Renewable Pvt Ltd	Other	India	100%
Neelore Renewable Pvt Ltd	Other	India	100%
Gadag Renewable Private Limited, Chennai	Other	India	100%
Channapura Renewable Private Limited, Chennai	Other	India	100%
Kutch Renewable Pvt Ltd	Other	India	100%
Uppal Renewable Pvt. Ltd., Chennai	Other	India	100%
Gudadaral Renewable Private Limited	Other	India	100%
Haveri Renewable Private Limited	Other	India	100%
Nirfooti Renewable Private Limited	Other	India	100%
Neelagund Renewable Private Limited	Other	India	100%
Hungund Renewable Private Limited	Other	India	100%
Saunshi Renewable Private Limited	Other	India	100%
Chikkodi Renewable Private Limited	Other	India	100%
Umrani Renewable Private Limited	Other	India	100%
Zalki Renewable Private Limited	Other	India	100%
Hattarwat Renewable Private Limited	Other	India	100%
Gamesa Wind PA, LLC	Other	United States	100%
International Wind Farm Services, S.A.U.	Other	Spain	100%
Parques Eólicos del Caribe, S.A.	Other	Dominican Republic	57%
Convertidor Solar Doscientos Noventa y Nueve, S.L.U.	Other	Spain	100%
Convertidor Solar Doscientos Noventa y Siete, S.L.U.	Other	Spain	100%
SEPE de Source de Seves SARL	Other	France	100%
Devarabanda Renewable Energy Pvt. Ltd.	Other	India	100%
Ghatpimpri Renewable Pvt. Ltd.	Other	India	100%
Poovani Wind Farms Pvt. Ltd.	Other	India	100%
Kod Renewable Pvt. Ltd.	Other	India	100%
VIRALIPATTI RENEWABLE Pvt. Ltd.	Other	India	100%
Gagodar Renewable energy Pvt. Ltd.	Other	India	100%
Thoothukudi Renewable Pvt Ltd, Chennai	Other	India	100%
Latur Renewable Private Limited, Chennai	Other	India	100%
Sankanur Renewable Pvt Ltd, Chennai	Other	India	100%
Osmanabad Renewable Pvt Ltd, Chennai	Other	India	100%
Pugalur Renewable Pvt Ltd, Chennai	Other	India	100%
Dhone Renewable Private Limited, Chennai	Other	India	100%
Bhuj Renewable Private Limited, Chennai	Other	India	100%
Bapuram Renewable Private Limited, Chennai	Other	India	100%
Koppal Renewable Pvt Ltd, Chennai	Other	India	100%
Jodhpur Renewable Pvt Ltd, Chennai	Other	India	100%
Adwen Blades GmbH	Production and distributing company	Germany	100%
AD 8MW GmbH & Co. KG	Production and distributing company	Germany	100%
Adwen Verwaltungs GmbH	Production and distributing company	Germany	100%
Estructuras Metalicas Singulares, S.A. Unipersonal	Production and distributing company	Spain	100%
Adwen France SAS	Production and distributing company	France	100%
Gamesa Energy Transmission, S.A. Unipersonal	Production company	Spain	100%
Pocahontas Wind, LLC	Production company	United States	100%
Gamesa Electric, S.A. Unipersonal	Production company	Spain	100%
EBV Holding Verwaltung GmbH	Project company	Germany	100%
Windfarm Groß Haßlow GmbH	Project company	Germany	100%
Gamesa Energie Deutschland GmbH	Project company	Germany	100%
Windfarm Ringstedt II GmbH	Project company	Germany	100%
Windfarm 35 GmbH	Project company	Germany	100%
Windfarm 40 GmbH	Project company	Germany	100%
Windfarm Ganderkesee-Lemwerder GmbH	Project company	Germany	100%
Windfarm 33 GmbH	Project company	Germany	100%
Sistemas Energéticos Sierra de Valdefuentes, S.L.U.	Project company	Spain	100%
Windfarm 41 GmbH	Project company	Germany	100%
Sistemas Energéticos de Tarifa, S.L. Unipersonal	Project company	Spain	100%
International Wind Farm Development V , S.L.	Project company	Spain	100%
Sistemas Energéticos La Cámara, S.L.	Project company	Spain	100%
Sistemas Energéticos Finca San Juan, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Islas Canarias, S.L.U.	Project company	Spain	100%
International Wind Farm Development IV, S.L.	Project company	Spain	100%
International Wind Farm Development VI , S.L.	Project company	Spain	100%
International Wind Farm Development VII, S.L.	Project company	Spain	100%
SEPE de Mantoche SARL	Project company	France	100%
Sistemas Energéticos La Plana, S.A.	Project company	Spain	90%
Sistemas Energéticos del Sur S.A.	Project company	Spain	70%
SEPE de Pouilly-sur-Vingeanne SARL	Project company	France	100%
Sistemas Energéticos Monte Genaro, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Nueve, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Ocho, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Cabanelas, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos del Umia, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Loma del Viento, S.A. Unipersonal	Project company	Spain	100%
SEPE de Vernierfontaine SARL	Project company	France	100%
SEPE de Songy SARL	Project company	France	100%
Eoliki Peloponnisou Lakka Energiaki S.A.	Project company	Greece	86%
SEPE de Sommesous SARL	Project company	France	100%
Sistemas Energéticos Cuerda Gitana, S.A. Unipersonal	Project company	Spain	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
Sistemas Energéticos Loma del Reposo, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Campoliva, S.A. Unipersonal	Project company	Spain	100%
SEPE de Cemon SARL	Project company	France	100%
SEPE de Broyes SARL	Project company	France	100%
Sistemas Energéticos Sierra de Las Estancias, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Cuntis, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Tomillo, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Edreira, S.A. Unipersonal	Project company	Spain	100%
SEPE de Saint Bon SARL	Project company	France	100%
Sistemas Energéticos Tablero Tabordo, S.L.	Project company	Spain	100%
Sistemas Energéticos Carril, S.L. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Fonseca, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Argañoso, S.L. Unipersonal	Project company	Spain	100%
SEPE de Champsevrairie, SARL	Project company	France	100%
International Wind Farm Developments IX , S.L.	Project company	Spain	100%
Lindom Vindenergi AB	Project company	Sweden	100%
Sistemas Energéticos Serra de Lourenza, S.A. Unipersonal	Project company	Spain	100%
Gamesa Energy UK Limited	Project company	United Kingdom	100%
SEPE de Margny SARL	Project company	France	100%
Bargrennan Renewable Energy Park Limited	Project company	United Kingdom	100%
Gamesa Energiaki Hellas S.A.	Project company	Greece	100%
Sistemas Energéticos Mansilla, S.L.	Project company	Spain	78%
Parque Eólico Dos Picos, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Sierra del Carazo, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Cabezo Negro, S.A. Unipersonal	Project company	Spain	100%
SEPE de Romigny SARL	Project company	France	100%
Glenouther Renewables Energy Park Limited	Project company	United Kingdom	100%
International Wind Farm Developments II, S.L.	Project company	Spain	100%
Gesa Eólica Mexico, S.A. de C.V.	Project company	Mexico	100%
Energiaki Arvanikou M.E.P.E.	Project company	Greece	100%
Sistemas Energéticos Barandon, S.A.	Project company	Spain	100%
Gamesa Eolica France, S.A.R.L., Saint Priest	Project company	France	100%
Sistemas Energéticos Balazote, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Jaralón, S.A. Unipersonal	Project company	Spain	100%
Sellafirth Renewable Energy Park Limited	Project company	United Kingdom	100%
Sistemas Energéticos Ladera Negra, S.A. Unipersonal	Project company	Spain	100%
SEPE de Saint-Lumier en Champagne SARL	Project company	France	100%
SEPE de Saint Amand SARL	Project company	France	100%
SEPE de Landresse SARL	Project company	France	100%
Convertidor Solar Trescientos Veinte, S.L.U.	Project company	Spain	100%
Convertidor Solar G.F. Uno S.L.U., Madrid	Project company	Spain	100%
Gesacisa Desarrolladora, S.A. de C.V.	Project company	Mexico	100%
SEPE de Clamanges SARL	Project company	France	100%
Convertidor Solar Trescientos Setenta, S.L.U.	Project company	Spain	100%
Convertidor Solar Uno, S.L.U.	Project company	Spain	100%
Sistemas Energéticos Arinaga, S.A. Unipersonal	Project company	Spain	100%
SEPE de Mailly-le-Camp SARL	Project company	France	100%
Smardzewo Windfarm Sp. z o.o.	Project company	Poland	100%
Osiek Sp. z o.o.	Project company	Poland	100%
Sistemas Energéticos Alcohujate, S.A. Unipersonal	Project company	Spain	100%
Adwen UK Limited	Project company	United Kingdom	100%
Sistemas Energéticos El Valle, S.L.	Project company	Spain	100%
SEPE de la Brié des Etangs SARL	Project company	France	100%
Sistemas Energéticos Fuerteventura, S.A. Unipersonal	Project company	Spain	100%
Sistemas Energéticos Boyal, S.L.	Project company	Spain	60%
Sistemas Energéticos Alto da Croa, S.A. Unipersonal	Project company	Spain	100%
Lingbo SPW AB	Project company	Sweden	100%
Lichnowy Windfarm Sp. z o.o.	Project company	Poland	100%
Elliniki Eoliki Atikis Energiaki S.A.	Project company	Greece	86%
GESA Energia, S. De R.L. de C.V.	Project company	Mexico	100%
SEPE de Souvans SARL	Project company	France	100%
Convertidor Solar G.F. Dos, S.L.U.	Project company	Spain	100%
SEPE de Plancy l'Abbaye SARL	Project company	France	100%
Ujazd Sp. z o.o.	Project company	Poland	100%
SEPE de Pringy SARL	Project company	France	100%
Elliniki Eoliki Kseropousi S.A.	Project company	Greece	86%
Elliniki Eoliki Likourdi S.A.	Project company	Greece	86%
Gamesa Energie France SAS	Project company	France	100%
Elliniki Eoliki Koprizeza S.A.	Project company	Greece	86%
Gesan México 1 S.A.P.I de C.V.	Project company	Mexico	100%
SEPE de Chairtrix Bierges SARL	Project company	France	100%
SEPE de Soude SARL	Project company	France	100%
Elliniki Eoliki Energiaki Pirgos S.A.	Project company	Greece	86%
SEPE de Bouclans SARL	Project company	France	100%
SEPE de Savoisy SARL	Project company	France	100%
SEPE de Longueville sur Aube SARL	Project company	France	100%
SEPE de Coupetz SARL	Project company	France	100%
Gamesa Energia Polska Sp. z o.o.	Project company	Poland	100%
SEPE de la Loye SARL	Project company	France	100%
SEPE de Trepot SARL	Project company	France	100%
Central Eólica de México I S.A. de C.V.	Project company	Mexico	100%
SEPE de Sambourg SARL	Project company	France	100%
Gamesa Energia (Portugal), S.A.	Project company	Portugal	100%
SEPE de Sceaux SARL, Saint Priest	Project company	France	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
SEPE de Guerfand SARL	Project company	France	100%
SEPE de Vaudrey SARL	Project company	France	100%
SEPE d'Orchamps SARL	Project company	France	100%
Convertidor Solar Trescientos Diecisiete, S.L.U.	Project company	Spain	100%
SEPE de la Cote du Cerisat SAS	Project company	France	100%
Convertidor Solar Trescientos Dieciocho, S.L.U.	Project company	Spain	100%
SEPE du Vireaux SAS	Project company	France	100%
SEPE de Dampierre Prudemanche SAS	Project company	France	100%
SEPE de Orge et Ornain SARL	Project company	France	100%
Parco Eolico Manca Bernarda S.r.l.	Project company	Italy	100%
SEPE de Germainville SAS	Project company	France	100%
SEPE de Moulins du Puits SAS	Project company	France	100%
Parco Eolico Banzy S.r.l.	Project company	Italy	100%
Convertidor Solar Ciento Veintisiete, S.L.U.	Project company	Spain	100%
Shuangpai Majiang Wuxingling Wind Power Co., Ltd	Project company	China	100%
SEPE de Bonboillon SARL	Project company	France	100%
SEPE de Saint Loup de Saintonge SAS	Project company	France	100%
Sistema Eléctrico de Conexión Montes Orientales, S.L.	Project company	Spain	83%
Aljaraque Solar, S.L.	Project company	Spain	100%
Convertidor Solar Trescientos Sesenta y Siete, S.L.U.	Project company	Spain	100%
Convertidor Solar G.F. Tres, S.L.U	Project company	Spain	100%
SEPE de la Tete des Boucs SARL	Project company	France	100%
SEPE de Chepriens SARL	Project company	France	100%
Fanbyn2 Vindenergi AB	Project company	Sweden	100%
Convertidor Solar Trescientos, S.L.U.	Project company	Spain	100%
Convertidor Solar Trescientos Diecinueve, S.L.U.	Project company	Spain	100%
Gamesa Innovation & Technology, S.L.U.	Research and development company	Spain	100%
Gamesa Eólica Brasil, Ltda.	Service and distribution company	Brazil	100%
Gamesa Canada ULC	Service company	Canada	100%
Gamesa Japan K.K.	Service company	Japan	100%
Gamesa Singapore Private Limited	Service company	Singapore	100%
Servicios Eólicos Globales S. de R.L. de C.V.	Service company	Mexico	100%
Gamesa Ukraine, LLC	Service company	Ukraine	100%
Gamesa Eólica Costa Rica, S.R.L.	Service company	Costa Rica	100%
GESA Eólica Honduras, S.A.	Service company	Honduras	100%
B9 Energy O&M Limited	Service company	United Kingdom	100%
Gamesa Azerbaijan Limited Liability Company	Service company	Azerbaijan	100%
Gamesa Wind Bulgaria, EOOD	Service company	Bulgaria	100%
Gamesa Wind Hungary Wind Turbine Services Kft	Service company	Hungary	100%
GER Baneasa, S.R.L.	Service company	Romania	100%
Gamesa Wind Romania, S.R.L.	Service company	Romania	100%
Gamesa Dominicana, S.A.S.	Service company	Dominican Republic	100%
Gamesa Energy Romania, S.R.L.	Service company	Romania	100%
GER Independenta, S.R.L.	Service company	Romania	100%
GAmesa Puerto Rico, CRL	Service company	Puerto Rico	100%
Gamesa Eólica VE, C.A.	Service company	Republic of Venezuela	100%
Gamesa Ireland Limited	Service company	Ireland	100%
Gamesa Eólica Italia S.R.L.	Service company	Italy	100%
GER Baraganu, S.R.L	Service company	Romania	100%
Gamesa Eólica Nicaragua S.A.	Service company	Nicaragua	100%
Gamesa Israel, Ltd	Service company	Israel	100%
Gamesa New Zealand Limited	Service company	New Zealand	100%
Gamesa Rüzgar Enerjisi Servis Limited Sirketi	Service company	Turkey	100%
Gamesa Morocco, SARL	Service company	Morocco	100%
Gamesa Kenya Limited	Service company	Kenya	100%
Gamesa (Thailand) Co. Ltd.	Service company	Thailand	100%
Gamesa Finland Oy	Service company	Finland	100%
9REN Israel Ltd.	Service company	Israel	100%
Gamesa Belgium, SPRL	Service company	Belgium	100%
Gamesa Wind South Africa (Proprietary) Limited	Service company	South Africa	100%
Gamesa (Mauritius), Limited	Service company	Mauritius	100%
Gamesa Energía Italia S.P.A.	Service company	Italy	100%
Gamesa Lanka Pvt. Ltd,	Service company	Sri Lanka	100%
Gamesa Chile SpA	Service company	Chile	100%
Gamesa Uruguay S.R.L.	Service company	Uruguay	100%
Gamesa Eólica Greece, E.P.E. (LLC)	Service company	Greece	100%
Gamesa Mauritania, SARL	Service company	Mauritania	100%
9REN Services Italia S.r.l.	Service company	Italy	100%
Gamesa Cyprus Ltd.	Service company	Cyprus	100%
Whitehall Wind, LLC	Project company	United States	100%
Crescent Ridge II, LLC	Project company	United States	100%
Cedar Cap Wind, LLC	Project company	United States	100%
Baileyville Wind Farm, LLC	Project company	United States	100%
Pocahontas Prairie Wind, LLC	Project company	United States	100%
Mahantango Wind, LLC	Project company	United States	100%
Wind Portfolio Memberco, LLC	Project company	United States	100%
EcoHarmony West Wind, LLC	Project company	United States	100%
Muskegon Wind, LLC	Project company	United States	100%
Gamesa Australia Pty. Ltd.	Social company	Australia	100%

COMPANIES	BUSINESS LINE	LOCATION	% OF DIRECT AND INDIRECT OWNERSHIP
<b>C) FORMER GAMESA COMPANIES - ACCOUTED BY EQUITY METHOD</b>			
Kintech Santalpur Wind Park Pvt Ltd, Chennai	Development and distribution company	India	49%
Windar Renovables, S.L.	Production and distributing company	Spain	32%
Energia Eólica de Mexico S.A. de C.V.	Project company	Mexico	50%
Windkraft Trinwillershagen Entwicklungsgesellschaft mbH	Project company	Germany	50%
Sistemas Eléctricos Espluga, S.A.	Project company	Spain	50%
Energías Renovables San Adrián de Juarros, S.A.	Project company	Spain	45%
Generación Eólica Extremeña, S.L.	Project company	Spain	30%
TKB - Technologiekontor Bremerhaven F & E Gesellschaft zur Nutzung	Research and development company	Germany	33%
Nuevas Estrategias de Mantenimiento, S.L.	Service company	Spain	50%
Baja Wind US LLC	Venture Capital Investment	United States	50%
Energia Renovable del Istmo S.A. de C.V.	Operation of wind farms	Mexico	50%

# MANAGEMENT REPORT

## SGRE INTERIM MANAGEMENT REPORT

As described in Note 1.D of the Notes to the Consolidated Financial Statements as of June 30, 2017, the merger of Siemens Wind Power Business with GAMESA qualifies for accounting purposes as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer and GAMESA as accounting acquiree. As a result of that, the consolidated income statement of the Group until the merger effective date (April 3<sup>rd</sup>, 2017) reflects the transactions of the Siemens Wind Power Business only. After the merger effective date the consolidated income statement includes the transactions of GAMESA also, being the quarter from April to June 2017 the first quarter of operation of the Group after the business combination.

The following chapter on 'Company's evolution during the year' refers to the performance of the Group as a combined business and therefore focuses mainly on the results after the business combination, that is, the period from April to June 2017. The breakdown of the consolidated income statement of the Group for the first half of 2017 into quarters is as follows:

<i>Millions of euros</i>	<i>(a)</i> Jan-Mar	<i>(b)</i> Apr-Jun	<i>(a) + (b)</i> H1 2017
Revenue	1.516	2.693	4.209
Cost of sales	(1.257)	(2.386)	(3.643)
<b>Gross profit</b>	<b>259</b>	<b>307</b>	<b>566</b>
Research and development expenses	(51)	(51)	(102)
Selling and general administrative expenses	(66)	(192)	(258)
Other operating income	4	(2)	3
Other operating expenses	-	(12)	(12)
Income (loss) from investments accounted for using the equity method, net	-	-	-
Interest income	(1)	7	6
Interest expenses	-	(15)	(15)
Other financial income (expenses), net	-	(3)	(2)
<b>Income from continuing operations before income taxes</b>	<b>145</b>	<b>39</b>	<b>185</b>
Income tax expenses	(26)	(27)	(53)
<b>Income from continuing operations</b>	<b>119</b>	<b>12</b>	<b>131</b>
Income from discontinued operations, net of income taxes	-	-	-
<b>Net income</b>	<b>119</b>	<b>12</b>	<b>131</b>
<b>Attributable to:</b>			
Non-controlling interests	-	-	-
<b>Shareholders of Siemens Gamesa Renewable Energy, S.A.</b>	<b>119</b>	<b>12</b>	<b>131</b>
<b>Underlying net profit</b>	<b>120</b>	<b>135<sup>1</sup></b>	<b>255</b>
<b>Underlying EBIT Pre-PPA</b>	<b>146</b>	<b>211<sup>1</sup></b>	<b>357</b>

<sup>1</sup> Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of EUR 36 million in integration costs and the impact of the Purchase Price Allocation (PPA) amounting to EUR 124 million in EBIT and 87 in NI in the period April-June 2017.

# MANAGEMENT REPORT

The comparable figures for previous quarters have been calculated on a proforma basis, as if the merger transaction had already occurred before the quarter used for comparison purposes, including full consolidation of Adwen, standalone savings and normalization adjustments.

## 1. COMPANY'S EVOLUTION DURING THE YEAR

PERFORMANCE FOCUSED ON THE INTEGRATION PROCESS IN ORDER TO ACCELERATE SYNERGIES, WHOSE INITIAL AMOUNT OF EUR 230 MILLION IS CONFIRMED AS THE MINIMUM LEVEL.

FINANCIAL AND COMMERCIAL RESULTS IN APRIL-JUNE 2017 WERE AFFECTED BY THE TEMPORARY HALT IN THE INDIAN MARKET

Siemens Gamesa Renewable Energy<sup>2</sup> commenced combined operations on 3 April when the merger was registered in the Mercantile Registry of Bilbao. In its first quarter, the company focused on integrating the separate businesses of Siemens Wind Power and Gamesa in order to bring forward the attainment of the synergies to which the company is committed; the announced amount of such synergies (EUR 230 million annually) was confirmed as the minimum amount. The financial and commercial results in the quarter reflect the temporary halt in the Indian market following the introduction of the auction system in the quarter from January to March 2017. Wind turbine orders received in the quarter totalled 805 MW, sales declined 7% with respect to the pro-forma<sup>3</sup> sales figure for the same period of 2016, and the underlying EBIT margin, excluding the impact of the PPA, stood at 7.8%<sup>4</sup>. Adjusting for the impact of the hiatus in the Indian market, group sales increased by 1.6% year-on-year and the underlying EBIT margin ex-PPA would have been 8.6%. The company ended the quarter with a net cash position of EUR 236 million. Under the terms of the merger agreement, the company paid an extraordinary dividend of EUR 3.6 per share in April.

### Main consolidated figures for Q3 2017:

- **Revenues:** EUR 2,693 million (-7% y/y)
- **Underlying EBIT pre-PPA<sup>3</sup>:** EUR 211 million (-21% y/y)
- **Underlying net profit<sup>3</sup>:** EUR 135 million
- **Net financial debt (NFD)<sup>5</sup>:** -EUR 236 million
- **MWe sold:** 1,950 MWe (-25% y/y)
- **Firm order intake:** 805 MW

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<sup>2</sup> Siemens Gamesa Renewable Energy (Siemens Gamesa) is the result of merging Siemens Wind Power, which is the wind power division of Siemens AG, with Gamesa Corporación Tecnológica (Gamesa). The group engages in wind turbine development, manufacture and sale (Wind Turbine division) and provides operation and maintenance services (Services division).

<sup>3</sup> Historical pro-forma sales are calculated as the sum of the sales reported by Siemens AG for its Wind Power division and those reported by Gamesa in the quarter from April to June 2016 plus 100% Adwen sales

<sup>4</sup> Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of EUR 36 million in integration costs and the impact of the Purchase Price Allocation (PPA) amounting to EUR 124 million in EBIT and 87 in NI in the period April-June 2017. For comparison purposes, the pro-forma underlying EBIT in the same period of the previous year is calculated as the sum of Gamesa's underlying EBIT, the EBIT of Siemens AG's Wind Power division, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated).

<sup>5</sup> Net financial debt is defined as long-term and short-term financial debt less cash and cash equivalents.

# MANAGEMENT REPORT

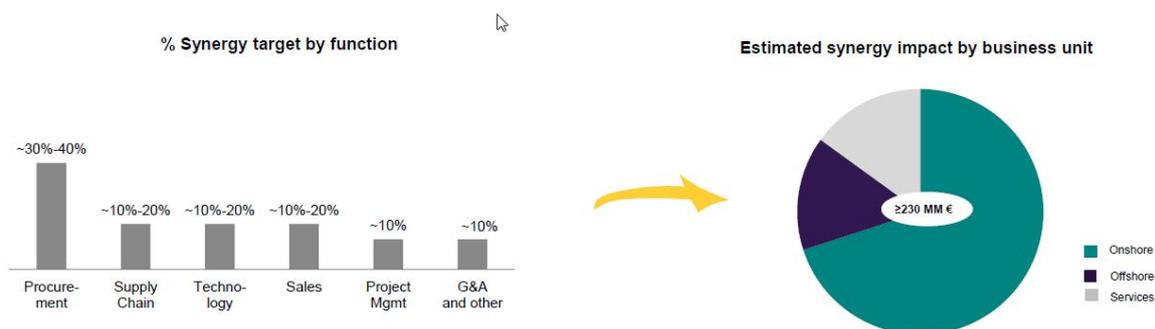
In its first quarter of operation, the company focused on rapidly integrating Siemens Wind Power and Gamesa in order to bring forward the attainment of the announced synergies of EUR230 million annually, which is now presented as the minimum amount. Achieving those synergies is vital for strengthening the group's competitive position in a changing and increasingly demanding market context.

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

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

As a result of the integration work, the new organisation was defined and decisions began to be taken about the product portfolio and manufacturing footprint in the quarter. Those decisions include notably the **integration of Adwen into the group's offshore division, making it possible to reduce the division's operation losses, better attend to customer needs, and maximise market opportunities.** Work also continued to optimise the manufacturing footprint, a process that the two companies had been undertaking separately and which is all the more logical following the merger. As part of this process, the closure of the Tillsonburg blade plant in Canada was announced in July (impact in Q4). **The speed with which the integration process is proceeding should make it possible to reap the announced synergies almost one year ahead of schedule.**

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

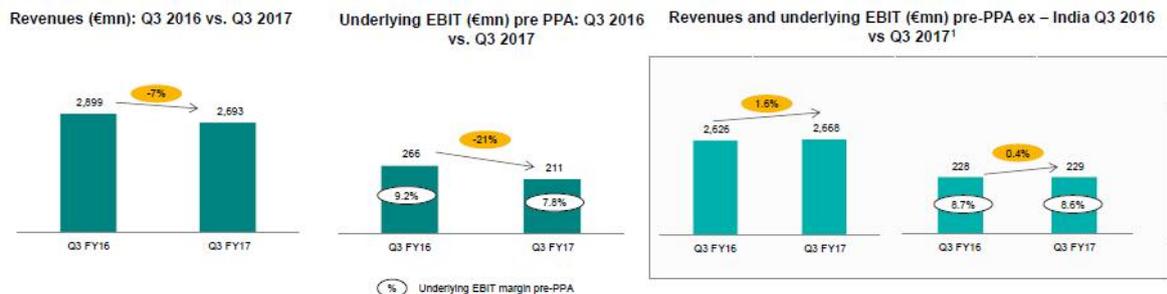


# MANAGEMENT REPORT

The next table details the main features of the work done to date:

	Progress	Key messages	WTG	O&M
			ON	OF
Costs & Investments	Procurement	<ul style="list-style-type: none"> <li>Main contributor to synergy</li> <li>More than 20 teams by commodity</li> <li>High focus on quick wins</li> <li>Discount by larger volumes, supplier consolidation and arbitrage opportunities as main sources of synergies</li> </ul>		
	Supply Chain	<ul style="list-style-type: none"> <li>Rationalization of product portfolio and combined sales plan resulting in synergy potential                             <ul style="list-style-type: none"> <li>Rationalization opportunities identified</li> <li>Optimization of existing facilities</li> </ul> </li> <li>Limited expansion requirements to pursue growth beyond standalone prospects</li> </ul>		
	Technology	<ul style="list-style-type: none"> <li>Well-balanced product portfolio of WTGs targeted to optimize presence</li> <li>Balanced portfolio compatible with significant rationalization of product portfolio</li> <li>Streamline of R&amp;D expense</li> </ul>		
	Project Mgmt	<ul style="list-style-type: none"> <li>Overlap in operations identified</li> <li>Resource allocation optimization and idle time reduction</li> </ul>		
	G&A and other	<ul style="list-style-type: none"> <li>Combined company with more than 25k employees</li> <li>Duplications in overhead structures being addressed</li> </ul>		
Revenues	Sales	<ul style="list-style-type: none"> <li>Optimized and balanced product platform allows to better capture specific needs of each market</li> <li>Scale and operating leverage allows to better compete for volumes</li> </ul>		

Coordination of the integration work by the Integration Office has enabled the company to maintain its normal business performance, a performance that has been clearly impacted by very specific though temporary market conditions, including notably the hiatus in India, one of the group's largest markets. **This halt resulted in a 7% decline in the group's sales in the quarter compared with pro-forma sales in the same period of 2016, to EUR 2,693 million, with an underlying EBIT margin pre-PPA of 7.8%, i.e. 1.3 percentage points below the pro-forma underlying EBIT margin in the same period of last year.** Adjusting for the impact of India on the company's operations in both years, sales would have increased by 1.6% and the underlying EBIT margin pre-PPA would have been 8.6%.



**Group underlying net profit pre-PPA amounted to EUR 135 million in the quarter, equivalent to EUR 0.2 per share, while reported profit amounted to EUR 12 million.** Reported profit includes the impact of EUR 87 million of PPA (net of taxes) and EUR 36 million in integration expenses. **The net cash position on the balance sheet was EUR 236 million** due mainly to the seasonal increase in working capital.

# MANAGEMENT REPORT

## MARKETS AND ORDERS

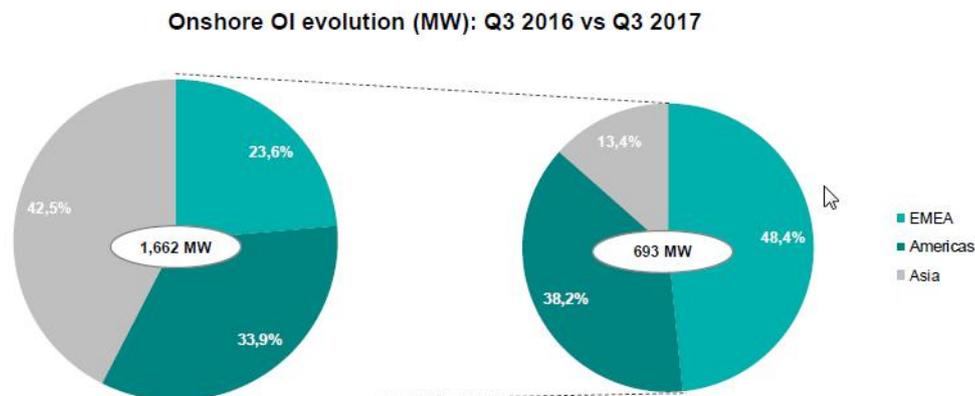
The temporary halt in the Indian market affected not only the group's financial performance but also its sales, **since it achieved 805 MW in firm orders in the period from April to June 2017**, clearly lower than the two companies' combined order intake in the same period of 2016, which was 2,610 MW.

In addition to the halt in the Indian market, which contributed over 450 MW in orders in the third quarter of 2016, order intake in the quarter was affected by a number of other factors, including notably:

- **Conversion of the Safe Harbor contracts in the US, concentrated towards the end of the calendar year;** this market contributed over 450 MW in the third quarter of 2016.
- **A sizeable volume of orders shifted to the second half of the calendar year** in the three regions (EMEA, APAC and Americas).
- **Standard demand volatility in the offshore market**, with c. 950MW in order intake in Q3 2016. In this sense, it was secure a contract for the Borssele 1 and 2 windfarms with a total volume of 756 MW

These factors were offset only marginally by good performance in such markets as Germany, Turkey, Mexico and new Asian countries such as Indonesia.

It is important to note that the decline in order intake does not reflect an impairment of the group's competitive position or a structural change in demand. Nevertheless, **the introduction of competitive auctions makes for more demanding markets, which require an increasingly competitive offer from all participants in the supply chain.** In this connection, the Siemens Gamesa merger will clearly enhance the group's position in the future due to the combined product pipeline and greater scale, with an optimised manufacturing presence and a global supply chain.



# MANAGEMENT REPORT

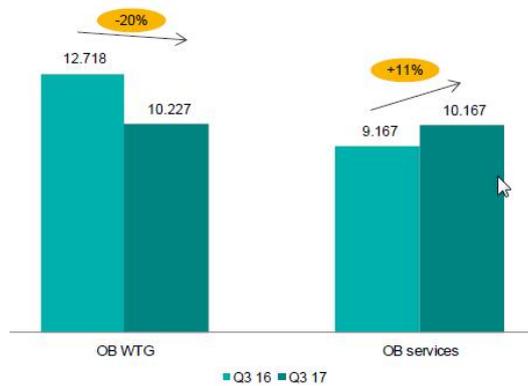
Siemens Gamesa maintains its lead in the offshore segment due to its accumulated experience, far ahead of its nearest rival, since it accounts for almost 70% of the installed fleet and over 500 million hours of operation. In July, Dong announced an agreement with the company to build the Borssele 1 and 2 wind farms, totalling 756 MW, i.e. 94 units of the SWP 8.0-154 turbine.

Offshore OI evolution (MW): Q3 2016 - Q3 2017

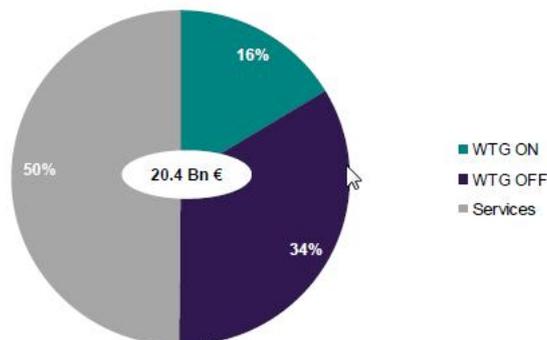


As a result of activity and weak order intake in the quarter, the wind turbine order book at the end of the quarter was down 20% with respect to the figure at the end of June 2016. In contrast, the services order book was 11% higher at EUR 20,394 millions.

Evolution of Order Book (€mn) Q3 16 & Q3 17



Order Book @June 2017



# MANAGEMENT REPORT

## FINANCIAL PERFORMANCE

The table below shows the main financial aggregates for the quarter from April to June 2017. The figures for the same period of 2016 are unaudited pro-forma numbers representing the sum of the numbers reported individually by Gamesa and Siemens Wind Power, plus Adwen (fully consolidated). The EBIT numbers include standalone, consolidation scope and normalisation adjustments for Siemens Wind Power.

P&L €mn	April-June 16 <sup>2</sup>	April-June 17	Var. %
Group sales	2,899	2,693	-7%
WTC	2,621	2,393	-9%
O&M	278	300	8%
WTC volume (MWe)	2,590	1,950	-25%
Onshore	2,041	1,488	-27%
Offshore	549	461	-16%
Gross profit (Pre PPA)	418	357	-15%
Gross profit margin (Pre PPA)	14,4%	13,3%	- 1,2
Underlying EBIT <sup>3</sup> (Pre-PPA)	266	211	-21%
Underlying EBIT margin (pre-PPA)	9,2%	7,8%	- 1,3
Underlying WTC EBIT margin (pre-PPA)	8,1%	6,8%	- 1,3
Underlying Service margin (Pre-PPA)	19,6%	16,1%	- 3,5
Reported EBIT	266	50	-81%
Underlying Net Income pre-PPA <sup>3</sup>		135	NA
Reported Net Income		12	NA
Underlying Net Income per share pre-PPA <sup>4</sup>		0,20	

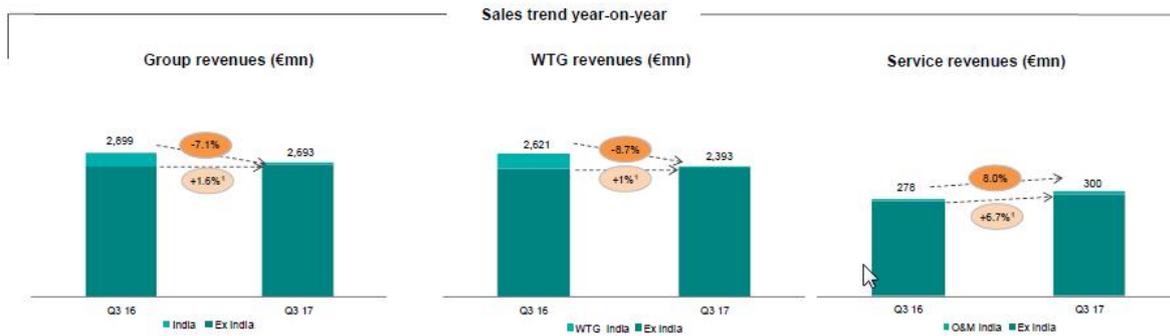
Balance sheet <sup>5</sup>	April-June 16 <sup>2</sup>	April-June 17	Var. %
Working capital	323	142	- 181
Working capital of/sales LTM proforma	3,2%	1,2%	- 2,0
Capex	126	190	51%
Net financial debt/(cash)		-236	

1. All financial information and KPIs are non-audited. All historic information is pro-forma. See detailed information in the Earnings Release
2. April-June 16 financial data corresponds to non-audited pro-forma data, based on legacy business reported information (Siemens Wind Power, Gamesa and 100% of Adwen) including standalone, normalization and scope adjustments for SWP operations, amounting to 29 MM € in the April-June 2016 quarter. Adwen is fully consolidated in the historic pro-forma data with an impact of €49 mn at revenue level and of -€9 mn at EBIT level. See appendix in the Earnings Release with disclosure on pro-forma data calculation.
3. Underlying data excludes integration costs for €36 mn and the impact on amortization on intangibles' fair value from the PPA in amount of €124 mn at EBIT level and €87 mn at net income level (net of taxes)
4. Number of shares for EPS calculation: in Q3 2017: 670.313.877
5. See definition of working capital, net financial debt and EBIT in the glossary of terms that can be found in the Q3 2017 earnings release together with the reconciliation of both items to the Q3 2017 consolidated financial statements
6. India contributed €273 mn in sales and €38 mn in EBIT in Q3 2016; it contributed €25 mn in sales and -€18 mn in EBIT in Q3 2017
7. Adwen revenues in Q3 2016 amounted to €49 mn and in Q3 2017 to €123mn
8. LTM pro forma, non-audited, is calculated adding revenues and EBIT reported by Siemens AG for Siemens Wind Power, those reported by Gamesa and 100% of those reported by Adwen. Pro forma profitability includes standalone, normalization and scope adjustments for Siemens Wind Power. See appendix in the Earnings Release with full disclosure on pro-forma data.

The group's financial performance in the first quarter in which Siemens Gamesa operated as a unit was clearly impacted by specific market conditions, particularly the temporary suspension in the Indian market.

**Sales fell by around 7% year-on-year** as a result of the reduction in the sale of onshore wind turbines, in India primarily but also, to a lesser extent, in the UK. Adjusting for the impact of the halt in the Indian market, sales increased by 1.6% due to strong offshore sales, which registered double-digit growth, and an 8% year-on-year increase in service revenues.

# MANAGEMENT REPORT



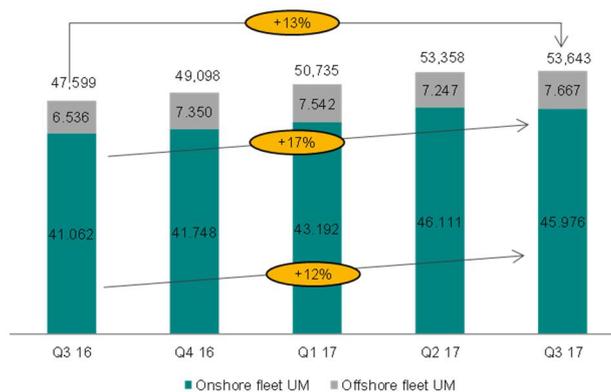
**Wind turbine sales fell 9%** as a result of a 25% y/y decline in **volume (MWe)**; this fall was concentrated in the onshore business, which shrank by 27% y/y, due to the reduction in activity mainly in India and the UK. The ASP was up 21% year-on-year, positively impacted by the concentration of activity in offshore installations in the quarter. The ASP in the onshore business remained stable at EUR 0.92 million/MW.

**WTG sales volume (MWe) and ASP<sup>1</sup> evolution (€mn /MW)**



**Services revenues increased by 8%, boosted by the fleet under maintenance**

**Fleet under maintenance (GW)**

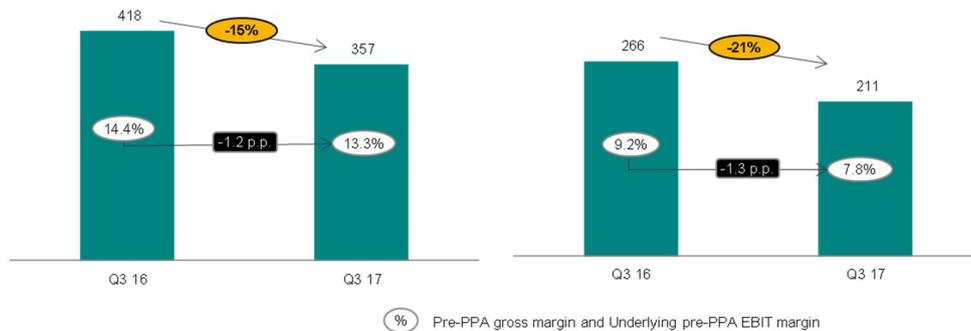


**Group underlying EBIT pre-PPA declined by 21% y/y** as a result of the decline in sales volume: 25% y/y, which was partly offset by a favourable offshore project mix. As a result, **the underlying EBIT margin pre-PPA was 7.8%**, just 1.3 percentage points lower than the pro-forma underlying EBIT margin in the same period of 2016: 9.2%. **Adjusting for the impact of the hiatus in the Indian market, the underlying EBIT margin pre-PPA would have been 8.6%.**

# MANAGEMENT REPORT

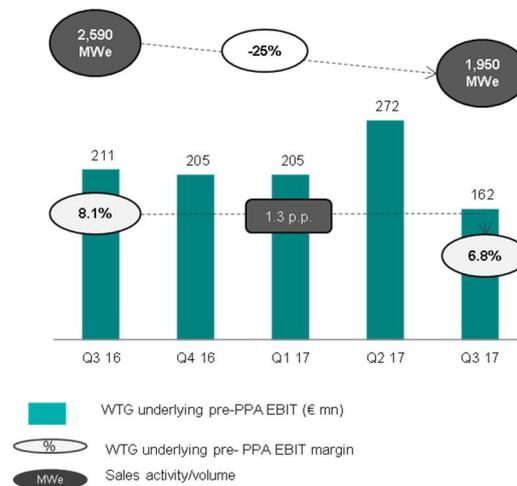
Adwen had a negative impact on group EBITDA amounting to c. EUR 19 million, twice the impact in the same quarter of 2016. Integrating Adwen into the group's offshore division improved performance and reduced the division's operating losses. **Excluding Adwen, the group's underlying EBIT margin pre-PPA would have been 8.9%.**

Pre-PPA Gross Profit and Underlying pre-PPA EBIT (€mn)



**Underlying EBIT pre-PPA in the Wind Turbine division fell 23% and the underlying EBIT margin pre-PPA was 6.8% at the end of the quarter**, 1.3 percentage points lower than in the same period of 2016. This decline was attributable to the 25% reduction in activity volume, which was offset by a favourable offshore project mix.

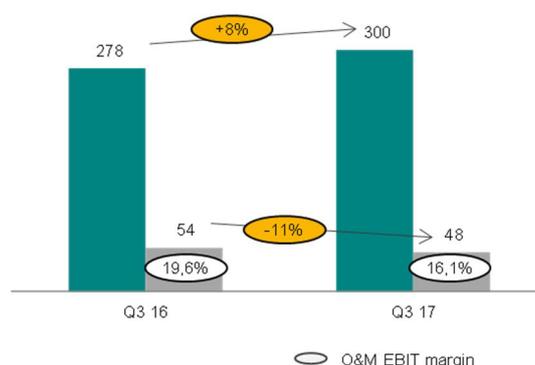
WTG quarterly underlying pre-PPA EBIT (€mn) and EBIT margin (%) evolution



**The Services division experienced an 11% decline in underlying EBIT pre-PPA, ending the quarter with the margin 3.5 percentage points lower than in the third quarter of 2016.** This reduction in the profit and margin is due to the non-recurring positive impact of exchange rate hedges in the third quarter of 2016. **Excluding that impact, EBIT would have been 16.1%.**

# MANAGEMENT REPORT

O&M revenues and EBIT (mn€)

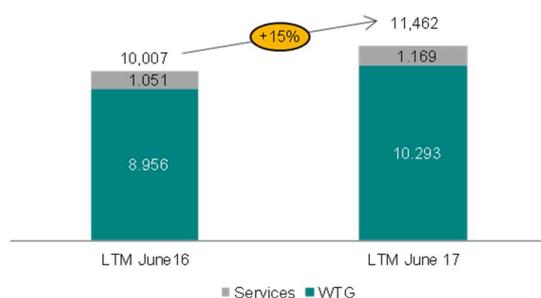


The group incurred net financial expenses amounting to EUR 10.7 million in the third quarter, and EUR 27 million in tax expenses. The marginal rate expected for the full year is between 26% and 29%.

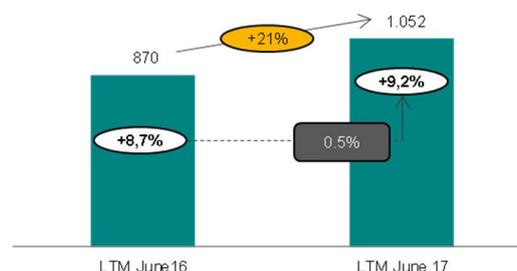
As a result, the group reported underlying net profit pre-PPA of EUR 135 million, equivalent to EUR 0.2 per share. Reported profit, which includes the EUR 87 million impact of the PPA and EUR 36 million in integration expenses, amounted to EUR 12 million in the quarter.

**Pro-forma figures for the last twelve months are as follows: revenues amounting to EUR 11,462 million (15% more than in the twelve months to June 2016) and underlying EBIT pre-PPA amounting to EUR 1,052 million (+21% y/y), i.e. an EBIT margin of 9.2% (0.5 percentage points more than in the twelve months to June 2016).**

Non-audited LTM proforma revenues (mn€)



Non-audited LTM proforma EBIT (mn€)<sup>1</sup>



**Siemens Gamesa ended the quarter with EUR 142 million in working capital, equivalent to 1.2% of LTM revenues, i.e. 2 percentage points less than in June 2016, and 56% lower in absolute terms.** The reduction in working capital was due to lower sales, partly offset by lower advances and the decision not to resort to factoring (factoring habitually amounted to EUR 150-200 million at Gamesa). The sequential increase in working capital is due to seasonal fluctuations in the business.

In the third quarter of 2017, the company invested EUR 190 million in property, plant and equipment and intangible assets, mainly to start up the factories in Cuxhaven (offshore) and Morocco.

**The company's net cash position amounts to EUR 236 million as a result of the equity issue and capital expenditure.**

## 2. FORECASTED EVOLUTION

### Demand prospects for the short and medium term are stable

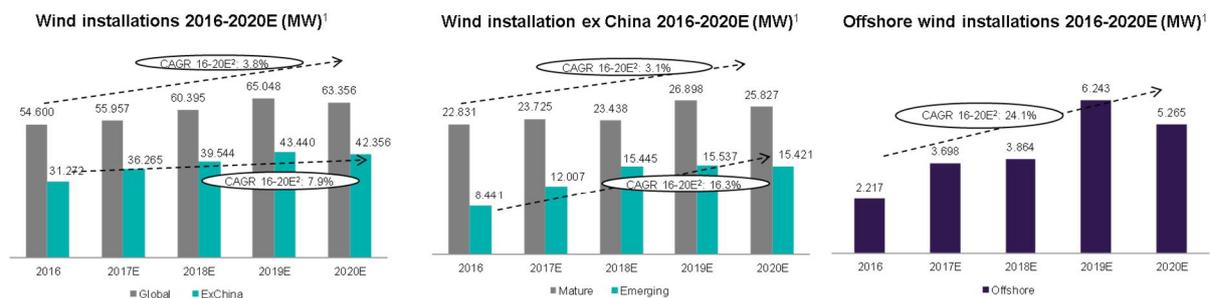
The prospects for the wind demand are relatively stable in the short, medium and long term, as consultants project a slight increase in growth rates in the period 2016-2020E ex-China; there have been no material changes in projections for this year. The strong demand prospects are underpinned by the growing number of countries that are committed to renewable energies as a means of containing the increase in temperature and climate change, and the increasing competitiveness of renewable energies, including wind power.

The growing commitment to renewable energies was evidenced in the Paris Agreement, signed on 12 December 2015 by 195 countries and ratified by 144, which came into force on 4 November 2016, laying the foundations for stable development of renewables. The recent announcement that the US was abandoning the Paris Agreement triggered a wave of support for the agreement from other signatory countries; meanwhile, a number of individual states in the US are advancing with their own commitment to combat climate change.

Renewable energies' rising competitiveness was evidenced in numerous auctions in 2016 and the first half of 2017 which point to a reduction in the cost of onshore wind power of almost 50%<sup>6</sup> in the next 20 years. These auctions are reviving markets such as Spain and Russia, and are behind the slight increase in consultants' projections for the market through 2020. In Spain, 3 GW of wind capacity were adjudicated in May and another auction for a similar volume is planned for this year. Russia, a country which had been inactive to date in the field of renewable energy, has just held its fifth auction, in which it adjudicated a total of 1,651 MW of wind projects to be built between 2018 and 2020. In addition to these auctions of onshore capacity, recent offshore capacity auctions reflect the qualitative improvements in the cost of energy in the coming decades which far outstrip initial estimates.

Stable demand trends are also supported by growing demand for electricity in the developing countries, which will account for c. 80% of total growth in worldwide energy demand over the next 20 years, according to the International Energy Agency.

These factors explain the growth in demand for wind power facilities in the developing countries (around 16% per year through 2020) and in the offshore segment, which is expected to achieve double-digit growth (c. 24%) in the coming years.



1. Source: BNEF and MAKE Q2 17 Market Outlook  
 2. Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of publication of their Q2 17 reports and GWEC reported figures for 2016 reported on February 10. Growth in mature markets includes growth coming from the offshore segment.

**The 12-month forward-looking pro-forma guidance for September 2017 reflects the strong performance in the first half of the year and the impact of market conditions in the second half.**

<sup>6</sup> Bloomberg New Energy Finance (H1 2017 Wind LCOE update) estimates a 47% reduction in the cost of energy of terrestrial wind power by 2040.

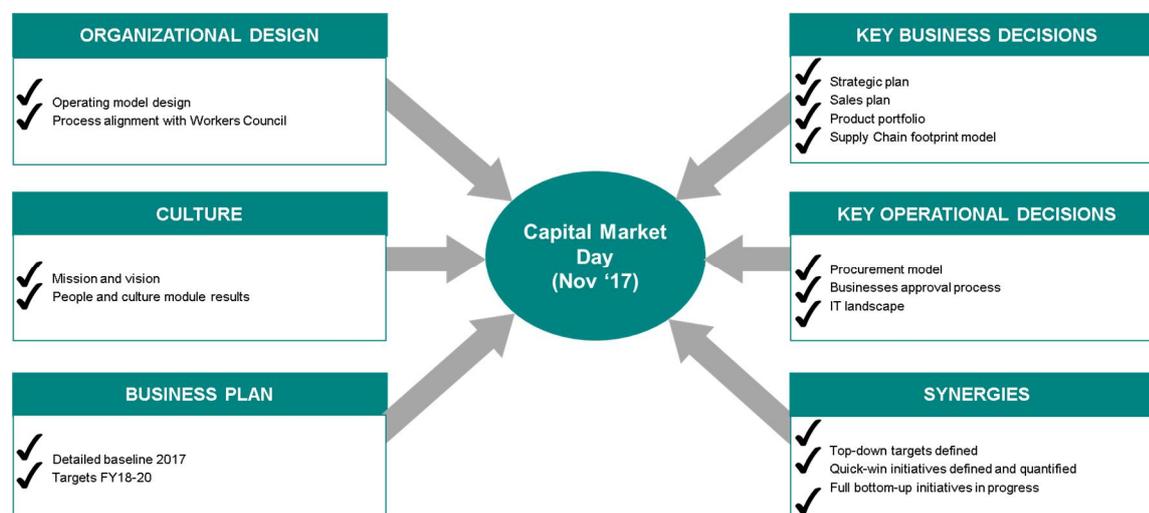
# MANAGEMENT REPORT

As indicated during the presentation of earnings for 2016 (through December) and the first quarter of 2017 (through March), those strong results were extraordinary and cannot be extrapolated. Accordingly, the second half of the new financial year (ending September 2017) will foreseeably be very different as the temporary market conditions are expected to correct progressively. This is the case of the Indian market, where the halt had a severe impact on performance in the April-June quarter; this market is not expected to recover in the fourth quarter of FY2017. During the fourth quarter of the year, the adverse mix of offshore projects is also expected to have a temporary negative impact, although this is not expected to be prolonged. As a result of these factors, the company expects pro-forma LTM revenues to amount to EUR 11,000-11,200 million (equivalent to 6% growth on the pro-forma LTM revenues through September 2016), and underlying EBIT pre-PPA to be slightly decreasing with respect to LTM EBIT in September 2016 and equivalent or higher EBIT margin than 8%

MM €	Pro forma 9M June 17	Pro forma LTM Sept 17	Pro forma LTM Sept 16
Revenues	8.635	11,000-11,200	10.441
Underlying EBIT (pre-PPA)	801	c.900	945
Underlying EBIT margin (pre-PPA)	9,3%	≥8%	9,1%
Working capital to Sales	1%	-3% to 13%	3,2%
Capex	515	704	

In the second half of the year, the PPA process is expected to have a total impact of EUR 248 million. The impact of the PPA in Q4 rises to EUR 124 million.

The company will unveil its business plan, with objectives for the period 2018-2020, in November.



## CONCLUSIONS

**Siemens Gamesa Renewable Energy comes into being ready to address the challenges and seize the opportunities that the wind business offers in the short, medium and long term, so as to create value for all stakeholders. In a changing environment with increasingly demanding wind markets, the merger's strategic rationale is even more compelling. Global scale and reach have become essential in order to compete profitably.**

# MANAGEMENT REPORT

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

In addition to the integration activities driven by the Integration Office, Siemens Gamesa continued with its normal activity, **though it was materially affected in this third quarter by the temporary halt in India**, one of group's most important markets. **As a result, revenues fell 7% y/y in the quarter to EUR 2,693 million and underlying EBIT pre-PPA fell 21% to EUR 211 million, equivalent to a margin of 7.8%**, i.e. 1.3 percentage points below the pro-forma margin for the third quarter of 2016. Excluding the impact of the Indian market, revenues increased by 1.6% and EBIT increased by 0.4%, equivalent to an EBIT margin of 8.6% (stable year-on-year). The limited impact of the sharp decline in volume in the quarter (25% y/y) on the group's EBIT margin is partly due to a favourable offshore project mix.

**With 805 MW in firm orders in the quarter, commercial activity was also affected** not only by the halt in India but also by the conversion of safe harbor contracts in the US in the second half of the calendar year, the volatility of offshore order intake and the shift of larger onshore orders towards the second half of the year. It's important to note that the lower order intake this quarter does not signal a change in the company's strong competitive position or in the demand structure; rather, these are temporary situations that will correct in the coming quarters. **The order book at the end of June stood at EUR 10,227 million in the Wind Generator business (-20% y/y) and EUR 10,167 million in the Services division (+11% y/y).**

**The company ended the quarter with a net cash position of EUR 236 million and working capital of EUR 142 million (1.2% of LTM revenues).**

### 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.

# MANAGEMENT REPORT

## 5. SUBSEQUENT EVENTS

There are no significant post balance sheet events, except for the July 2017 closure announcement of the Tillsonburg blade factory in Canada as a result of the manufacturing footprint optimisation and a restructuring plan at its blade plant in Aalborg, Denmark, with no impact on these Consolidated Financial Statements.

## 6. RESEARCH AND DEVELOPMENT ACTIVITIES

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

During the reporting period, the main increase in the the section “Internally generated technology” of the Other intangible assets was is due to the developments in wind turbine platforms and software mainly in Denmark amounting to EUR 26 million.

## 7. TREASURY SHARE OPERATIONS

At June 30, 2017 SIEMENS GAMESA holds a total of 1,635,529 treasury shares, representing 0,24% of share capital.

The total cost for these treasury shares amounts EUR 32,487 thousands, each with a par value of EUR 19,864.

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 June 30, 2017.

## 8. CAPITAL STRUCTURE

**THE CAPITAL STRUCTURE, INCLUDING SECURITIES THAT ARE NOT TRADED ON A REGULATED EEC MARKET, THE DIFFERENT CLASSES OF SHARE, THE RIGHTS AND OBLIGATIONS CONFERRED BY EACH AND THE PERCENTAGE OF SHARE CAPITAL REPRESENTED BY EACH CLASS:**

In accordance with Article 7 of Siemens Gamesa Renewable Energy, S.A.’s bylaws, reflected in the version approved by the shareholders in general meeting held June 20, 2017, “*Share capital amounts to ONE HUNDRED FIFTEEN MILLION SEVEN HUNDRED NINETY FOUR THOUSAND, THREE HUNDRED SEVENTY FOUR EUROS AND NINETY FOUR CENTS (115,794,374.94 EUR ), represented by 681,143,382 ordinary shares of seventeen euro cents each with a nominal value each, in numbers from 1 to 681,143,382, comprised of a sole class and series, all entirely subscribed and paid in.*”

### SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information for SIEMENS GAMESA RENEWABLE ENERGY, S.A., its share capital structure at June 30, 2017 follows:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Number of voting rights linked to the exercise of financial instruments	% of total voting rights
SIEMENS AKTIENGESELLSCHAFT	205,178,132	196,696,463	-	59.00%
IBERDROLA, S.A.	-	54,977,288	-	8.071%

# MANAGEMENT REPORT

(\*) Through:

Name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
SIEMENS BETEILIGUNGEN INLAND GMBH	196,696,463	28.877%
IBERDROLA PARTICIPACIONES, S.A. SOLE SHAREHOLDER COMPANY	54,977,288	8.071%

## 9. RESTRICTIONS ON THE TRANSFER OF SECURITIES

No restrictions on the transfer of securities.

## 10. SIGNIFICANT % OF DIRECT OR INDIRECT OWNERSHIP

See Point 8.

## 11. RESTRICTIONS ON VOTING RIGHTS

There are no legal or bylaw stipulated restrictions on exercising voting rights.

## 12. SIDE AGREEMENTS

In compliance with the stipulations set forth in Article 531 of the revised Spanish Corporation Law enacted by Royal Decree 1/2010, of July 2 ("Capital Companies Law"), Iberdrola S.A. notified Gamesa Corporación Tecnológica, S.A. (currently "Siemens Gamesa Renewable Energy, S.A.") on June 17, 2016 regarding the signing of a side agreement between Iberdrola S.A. and Iberdrola Participaciones, S.A. Sole Shareholder Company, as shareholders (indirect and direct or indirect, respectively) of Gamesa Corporación Tecnológica, S.A. ("the Company") and Siemens AG. The contract refers to the (i) Company in the context of a merger of its wind energy businesses and Siemens AG ("the Merger"); and (ii) its relationships as future shareholder of the Company subsequent to the merger (the "Shareholders' Agreement").

The Shareholders' Agreement includes terms which qualify it as a side agreement under the terms set forth in Article 530 of Capital Companies Law, even when the effectiveness of certain agreements was contingent upon the Merger taking place.

## 13. RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND THE AMENDMENT OF THE COMPANY'S BYLAWS

Article 30 of the Siemens Gamesa Renewable Energy, S.A. bylaws state that the members of the Board of Directors are "designated or ratified by the shareholders in general meeting," and that "should during the appointment period any vacancies arise, the Board of Directors may designate any parties having held them until the first general Shareholders Meeting is held," in accordance with the terms reflected in Capital Companies Law and bylaws.

# MANAGEMENT REPORT

In conformity with Article 13.2 of the Board of Directors Regulations, *“proposals for appointing Board members submitted to the Board of Directors for consideration by the shareholders in general meeting, and appointment decisions made through the reappointment should be preceded by (a) in the case of independent directors, a proposal made by the Appointments and Remuneration Committee, and (b) in other cases, a report from the abovementioned committee.”* Article 13.3 of the Board of Directors Regulations states that *“when the Board of Directors extracts itself from the proposal or abovementioned report from the Appointments and Remuneration Committee, reasons for doing so must be reflected in the minutes.”*

Article 14 of the same regulations states that *“when appointing external directors, the Board and the Appointments and Remuneration Committee will ensure that the directors selected are of recognized solvency, skill, and experience.*

*Should the Board Member be a legal person, the individual representing it during the exercise of the functions inherent to the post are subject to the abovementioned conditions.”*

Finally, Article 7.4 of the Appointments and Remuneration Committee Regulations grant it the responsibility for *“ensuring that the selection procedures are not affected by implicit skewed processes tantamount to discrimination.”*

As regards the reappointment of the Directors, Article 15 of the Board of Directors’ Regulations indicates that *“Proposals for reappointing the Directors which the Board of Directors choose to submit to the general shareholders for approval must be accompanied by the corresponding supporting documentation under the terms established by Law. The Board of Directors’ Agreement submitted to the shareholders in general meeting for approval for the reappointment of the independent directors must be adopted at the proposal of the Appointments and Remuneration Committee, while the remaining directors must submit a prior favorable report.*

*The members comprising the Appointments and Remuneration Committee must refrain from participating in deliberating and voting on their own.*

*The reappointment of a board member who forms part of a committee or holds an internal position on the Board of Directors or any of its committees will determine his/her continuity in the post; express reelection is unnecessary, without prejudice to the revocation faculties corresponding to the Board of Directors.*

Board member termination is regulated by Article 16 of the Board of Directors Regulations, which states that *“board members will step down after their appointment period has transpired, without prejudice to the possibility of reelection, and when the general shareholders meeting so decides at the proposal of the Board of Directors or the shareholders under legislation.”*

The steps and criteria established in this regard are set forth in Capital Companies Law and the Mercantile Register Regulations.

Article 16.2 of the Board of Directors Regulations states that *“board members or individuals representing a legal person member must make their positions available to the Board and arrange any corresponding resignation, in any case based on a prior report from the Appointments and Remuneration Committee for the following cases:*

- a) *For proprietary directors when they or the shareholder they represent cease to own significant shareholdings in the Company, and when they revoke representation.*

# MANAGEMENT REPORT

- b) *When executive directors step down from their positions associated to their appointment as board members and when the Board of Directors considers it appropriate.*
- c) *Non-executive directors are integrated into the Company's executive line or that of any of the Group companies.*
- d) *When they are involved in any of the situations representing incompatibility or prohibition as foreseen in Corporate Governance Regulations or law.*
- e) *When they are immersed in legal procedures arising from alleged criminal activity, or tried for any of the crimes indicated in the terms outlined in Capital Companies Law regulations prohibiting individuals from holding director posts, or have been fined by the supervisory authorities due to serious or very serious infringement.*
- f) *Where there have been serious reprimands from the Board of Directors or fines resulting in serious or very serious infractions arising from not complying with their obligations as Company directors.*
- g) *When their continued presence on the Board could jeopardize the interests of the Company or when the reasons for which they were appointed cease to apply.*
- h) *When, as a result of actions attributable to the director in the performance of this role, serious damage occurs to Company assets or reputation, or should said person lose the professional reputation required to be one of the Company's directors."*

In accordance with Sections 3, 4, and 5, *"in any of the above circumstances, the Board of Directors shall request the director to step down from his/her directorship, and where appropriate, submit a proposal for this cessation at the General Shareholders' Meeting. As an exception, the aforementioned reflected in sections a), d) f), and g) shall not be applicable in the cases of grounds for resignation when the Board of Directors considers that there are sufficient reasons to justify the continuing appointment of the director, without prejudice to the effect that the new situation might have on the person's qualifications for the position.*

*The Board of Directors may only propose that an independent director be removed before the period established in the bylaws has expired in the event that the Board of Directors considers that there is just cause following a report from the Appointments and Remuneration Committee. Specifically, due to not complying with the duties inherent to his/her position or arising from any of the legally-established circumstances representing lack of compatibility due to pertaining to this category.*

*Board members stepping down from their positions prior to the end of their mandates must send a letter to all Board members explaining their reasons for doing so."*

## **Rules governing bylaw amendments**

Amendments made to the Siemens Gamesa bylaws are governed by the terms of Articles 285 to 290 of Capital Companies Law approved by Royal Decree Law 1/2010 of July 2 ("Capital Companies Law").

Additionally, amendments made to the Siemens Gamesa bylaws are covered by the terms outlined in the Company's bylaws and the Regulations of the General Shareholders' Meeting.

# MANAGEMENT REPORT

As regards the competencies for making amendments, Articles 14. h) of bylaws and 6.1 h) of the Regulations of the General Shareholders' Meeting indicate that this role corresponds to the Siemens Gamesa General Shareholders' Meeting.

Articles 18 of bylaws, and 26 of the Regulations of the General Shareholders' Meeting include the quorum requirements for the General Shareholders Meeting adoption of agreements. Articles 26 of its bylaws, and 32 of the General Shareholders Regulations indicate the necessary majority for these purposes.

Article 31.4 of the General Shareholder's Regulations indicates that in accordance with legislation, the Board of Directors will make proposals for different agreements regarding matters which are substantially independent, so that shareholders may individually exercise their voting preferences. The above is specifically applicable in the case of amendments to the by-laws, with votes taken on all articles or groups of articles that are materially different.

In accordance with Article 518 of Capital Companies Law, due to the call for a general Shareholders Meeting devoted to amending bylaws, the Company website will include the complete text of the agreement proposals on the Agenda in which the amendments are proposed, as well as reports from competent bodies in this regard.

## 14. THE POWERS OF BOARD DIRECTORS AND, SPECIFICALLY, POWERS TO ISSUE OR BUY BACK SHARES

### Powers of Directors

During its meeting held on June 20, 2017, the Board of Directors of Siemens Gamesa Renewable Energy, S.A. unanimously agreed to reappoint Markus Tacke as the Company's Chief Executive Officer, thereby delegating all the legally and statutory faculties corresponding to the Board, except those which are not covered by Law and the Bylaws, which Mr. Tacke accepted, as reflected in the meeting minutes.

### Powers to buy back shares

At the date of approval of this Report, authorization was still pending from the Company's General Shareholders Meeting held on May 8, 2015, by virtue of which the Board of Directors will be entitled to acquire treasury shares. The following is the literal text of the agreement adopted by the above reflected under point 9 of the Agenda:

*"In accordance with Article 146 of Capital Companies Law, with express substitution faculties, authorize the Board of Directors to acquired shares in Gamesa Corporación Tecnológica, Sociedad Anónima ("Gamesa" or "the Company") under the following conditions:*

- (a) The acquisitions may be made by Gamesa or indirectly through its subsidiaries, on the same terms as described herein.*
- (b) The share acquisitions will be accomplished by way of sale or exchange transactions or as otherwise permitted by law.*
- (c) The acquisitions may, from time to time, be made up to the maximum figure permitted by law.*
- (d) The minimum share price will be their nominal value, with a maximum price not to surpass 110% of their listed value at the date of acquisition.*
- (e) Shares acquired may be subsequently be sold at freely-determined conditions.*
- (f) This authorization is granted for a maximum period of 5 years, and expressly renders the authorization granted during the general Shareholders Meeting held on May 28, 2010 for the unused portion without effect.*

# MANAGEMENT REPORT

(g) *As a result of the acquisition of shares, including those which the Company or party acting in its own name yet on behalf of the Company acquired previously and held in portfolio, the resulting equity may not be reduced to under the amount of share capital plus legal reserves or those restricted, all without prejudice to letter b) of Article 146.1 of Capital Companies Law.*

*Finally, regarding the contents of the final paragraph of the Article 146.1.a) of the Capital Companies Law, shares acquired as a result of this authorization may be used by the company to deliver to its employees or its directors, either directly or through the exercise of options or other rights contemplated in the incentives plan for owners/beneficiaries as stipulated in legal, statutory, and regulatory guidelines.”*

## **15. SIGNIFICANT AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND WHICH TAKE EFFECT, ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID AND THE EFFECTS THEREOF, EXCEPT WHERE DISCLOSURE WOULD SEVERELY PREJUDICE THE COMPANY’S INTERESTS. THIS EXCEPTION IS NOT APPLICABLE WHERE THE COMPANY IS SPECIFICALLY OBLIGED TO DISCLOSE SUCH INFORMATION ON THE BASIS OF OTHER LEGAL REQUIREMENTS**

In conformity with the framework agreement dated December 21, 2011 (significant event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L. Sole Shareholder Company, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. will permit IBERDROLA, S.A. to terminate the framework agreement, and neither party may make any claims subsequently.

On December 17, 2015, Gamesa Energía, S.A.U. (buyer) and GESTIÓN, ELABORACIÓN DE MANUALES INDUSTRIALES INGENIERÍA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. y FUNDACIÓN TECNALIA RESEARCH & INNOVATION (seller) signed a purchase-sale agreement for the shares. On the same date, to oversee the relationship between Gamesa Energía, S.A. Unipersonal and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as future NEM partners (where applicable), the parties signed the Partners’ Agreement. By virtue of the terms established in the abovementioned agreement, should control over SIEMENS GAMESA RENEWABLE ENERGY, S.A. (former GAMESA CORPORACIÓN TECNOLÓGICA, S.A.) subsequently take place, Gamesa Energía, S.A.U. must offer the remaining partners direct acquisition of its NEM shares.

On June 17, 2016, effective April 3, 2017, Siemens Gamesa Renewable Energy, S.A. (then “Gamesa Corporación Tecnológica, S.A.”) and SIEMENS AKTIENGESELLSCHAFT (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to Siemens Gamesa. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although its minimum duration in any case would be three (3) years (i.e., until April 3, 2020).

# MANAGEMENT REPORT

On March 31, 2017, Siemens Gamesa Renewable Energy, S.A. (at that time, “Gamesa Corporación Tecnológica, S.A.”), and SIEMENS AKTIENGESELLSCHAFT (Siemens) entered into a licensing agreement by virtue of which Siemens Gamesa is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.’s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, a change of control might lead to termination of the licensing agreement.

By virtue of certain agreements reached as a result of the merger between Siemens Gamesa Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain guarantees with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Finally, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party’s competitor.

## **16. ANY AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS, OFFICERS OR EMPLOYEES THAT PROVIDE FOR SEVERANCE PAYMENTS IF THEY RESIGN, ARE UNFAIRLY DISMISSED OR IF THEIR EMPLOYMENT CONTRACTS TERMINATE AS A RESULT OF A TAKEOVER BID**

In general, the contracts of executive directors and some managers of the steering committee include a clause giving them the right to receive the economic compensation indicated below in the event that their employment relationship is ended for reasons attributable to the Company and/or due to objective reasons such as a change of ownership. In general terms, the agreed upon economic compensation consists in payment of the amounts corresponding to different periods to a maximum of one year, depending on the personal and professional circumstances under which the agreement was signed. In accordance with the new Remuneration Policy agreed upon by the directors during the general Shareholders Meeting held on June 20, 2017, the above economic compensation has a one-year limit.

Employees recognized for their work who are not directors in general do not receive economic termination benefits different from those established by prevailing law.

# MANAGEMENT REPORT

## Annex

### Conciliation pro-forma

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17 Actual	LTM June 2017
Revenues	2,181	2,534	2,899	2,827	2,764	3,178	2,693	11,462
WTG	1,918	2,298	2,621	2,535	2,475	2,891	2,393	
Services	263	236	278	292	289	287	300	
Gamesa	971	1,064	1,127	1,147	1,273	1,546		
SWP	1,197	1,460	1,722	1,597	1,384	1,516		
Adwen	13	10	49	83	107	116		
Pre-PPA Underlying EBIT	158	262	266	259	269	313	211	1,052
Margin	7.2%	10.4%	9.2%	9.2%	9.7%	9.9%	7.8%	9.2%
Gamesa	87	119	112	110	138	181		
SWP	87	158	163	157	142	146		
Adwen	(16)	(14)	(9)	(7)	(11)	(15)		

# MANAGEMENT REPORT

## Annex

### Alternative Performance Measures

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

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

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

#### 1. Net financial debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings less cash and cash equivalents.

Net Financial Debt is the main APM used by Siemens Gamesa Renewable Energy management to measure the Group's indebtedness and leverage.

Million Eur		
<i>Financial Statements line item</i>	Opening balance sheet 04.03.2017	06.30.2017
Cash and cash equivalents	3,041	1,475
Short-term debt and current maturities of long-term debt	(393)	(758)
Long-term debt	(660)	(481)
<b>Cash/(Net Financial Debt)</b>	<b>1,988</b>	<b>236</b>

#### 2. Working capital (WC)

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

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

# MANAGEMENT REPORT

Million Eur			
<i>Financial Statements line item</i>	06.30.2016 (pro forma)	Opening Balance Sheet 04.03.2017	06.30.2017
Trade and other receivables	1,599	1,364	1,310
Trade receivables from related companies	683	2	287
Inventories	2,859	3,220	3,604
Other current assets	454	603	473
Trade payables	(2,846)	(2,585)	(2,537)
Trade payables to related companies	(532)	-	(245)
Other current liabilities	(1,894)	(3,083)	(2,750)
<b>Working Capital</b>	<b>323</b>	<b>(479)</b>	<b>142</b>

The comparable figures as of June 30<sup>th</sup>, 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred as of June 30<sup>th</sup>, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	06.30.2016 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
<i>Financial Statements line item</i>				
Trade and other receivables	491	1,092	16	1,599
Trade receivables from related companies	508	179	(4)	683
Inventories	1,826	856	177	2,859
Other current assets	179	265	10	454
Trade payables	(761)	(1,906)	(179)	(2,846)
Trade payables to related companies	(324)	(208)	-	(532)
Other current liabilities	(1,717)	(172)	(5)	(1,894)
<b>Working Capital</b>	<b>202</b>	<b>106</b>	<b>15</b>	<b>323</b>

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

The **Working Capital consumption** is calculated as a difference between Working Capital as of the merger transaction date (April 3<sup>rd</sup>, 2017) and Working Capital as of 30<sup>th</sup> of June 2017.

Million euros	3Q17
<b>Working Capital @ April 3rd, 2017</b>	(479)
<b>Working Capital @ June 30th, 2017</b>	142
<b>Variation (consumption)</b>	<b>622</b>

# MANAGEMENT REPORT

### 3. Capital Expenditure (Capex)

Capital Expenditure (capex) refers to investments made in the period in property, plant and equipment and intangible assets in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex). This APM does not include the allocation of the purchase price (the PPA exercise) to property, plant and equipment and intangible assets that has been performed in context of the merger transaction of Siemens Wind Power and Gamesa (the business combination).

The amount of Capex is the following:

Million Eur - QTD		
	3Q16 (Pro forma)	3Q17
Acquisition of intangible assets	(35)	(59)
Acquisition of Property, Plant and Equipment	(91)	(131)
<b>CAPEX</b>	<b>(126)</b>	<b>(190)</b>

The comparable figures for the 3<sup>rd</sup> Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before March 30<sup>th</sup>, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	3Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	-	(22)	(13)	(35)
Acquisition of Property, Plant and Equipment	(47)	(31)	(13)	(91)
<b>CAPEX</b>	<b>(47)</b>	<b>(53)</b>	<b>(27)</b>	<b>(126)</b>

### 4. Definitions of cash flow

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

**Net operating cash flow:** the result of deducting working capital (defined in item 2) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

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

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between March 2017 and June 2017 (defined in item 1 above).

# MANAGEMENT REPORT

## 5. Average Selling Price (ASP)

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

The comparable figures for Quarters prior to the 3<sup>rd</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before January 1<sup>st</sup>, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. Further details of this pro forma calculation follow:

Million Eur	Pro Forma					3Q17
	2Q16	3Q16	4Q16	1Q17	2Q17	
<b>Group Sales</b>	<b>2,534</b>	<b>2,899</b>	<b>2,827</b>	<b>2,764</b>	<b>3,178</b>	<b>2,693</b>
WTG (1)	2,298	2,621	2,535	2,475	2,891	2,393
Onshore	1,666	1,860	1,718	1,812	2,181	1,363
Offshore	631	761	816	663	709	1,030
Services	236	278	292	289	287	300
<b>MWe WTG (2)</b>	<b>2,282</b>	<b>2,590</b>	<b>2,294</b>	<b>2,268</b>	<b>2,964</b>	<b>1,950</b>
<b>MWe Onshore</b>	<b>1,822</b>	<b>2,041</b>	<b>1,806</b>	<b>1,845</b>	<b>2,534</b>	<b>1,488</b>
<b>MWe Offshore</b>	<b>460</b>	<b>549</b>	<b>488</b>	<b>423</b>	<b>430</b>	<b>461</b>
<b>ASP Total(1/2)</b>	<b>1.01</b>	<b>1.01</b>	<b>1.10</b>	<b>1.09</b>	<b>0.98</b>	<b>1.23</b>

## 6. Revenues and EBIT

**Revenues LTM (Last Twelve Months):** this APM is calculated by aggregation of the quarterly revenues for the last four quarters.

The comparable figures for quarters prior to the 3<sup>rd</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30<sup>th</sup>, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	LTM Jun 16 (Pro Forma)	4Q15(Pro Forma)	1Q16 (Pro Forma)	2Q16 (Pro Forma)	3Q16 (Pro Forma)
WTG	8,956	2,119	1,918	2,298	2,621
Services	1,051	275	263	236	278
<b>TOTAL</b>	<b>10,007</b>	<b>2,394</b>	<b>2,181</b>	<b>2,534</b>	<b>2,899</b>

Million Eur	LTM Jun 17 (Pro Forma)	4Q16 (Pro Forma)	1Q17 (Pro Forma)	2Q17 (Pro Forma)	3Q17
WTG	10,293	2,535	2,475	2,891	2,393
Services	1,169	292	289	287	300
<b>TOTAL</b>	<b>11,462</b>	<b>2,827</b>	<b>2,764</b>	<b>3,178</b>	<b>2,693</b>

# MANAGEMENT REPORT

**EBIT (Earnings Before Interest and Taxes):** operating profit per the consolidated income statement. It is calculated as Income (loss) from continuing operations before income taxes, before 'Income (loss) from investments accounted for using the equity method', interest income and expenses and 'Other financial income (expenses), net'.

**Underlying EBIT (Earnings Before Interest and Taxes):** EBIT excluding integration costs related to the merger transaction and the impact on amortization of intangibles from of the Purchase Price Allocation (PPA).

Million Eur		
	3Q16 (Pro Forma)	3Q17
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	255	39
(-) Income from investments acc. for using the equity method, net	(2)	-
(-) Interest income	(9)	(7)
(-) Interest expenses	22	15
(-) Other financial income (expenses), net	(1)	3
<b>Reported EBIT</b>	<b>266</b>	<b>50</b>
(-) Integration costs	-	36
(-) PPA impact	-	124
<b>Underlying EBIT</b>	<b>266</b>	<b>211</b>

The comparable figures for the 3<sup>rd</sup> Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before March 30<sup>th</sup>, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	3Q16 (Pro Forma)				
	Siemens Wind Power	Gam esa	Adw en	Pro forma adjustments	SGRE proforma
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	142	94	(11)	30	255
(-) Income from. investments acc. for using the equity method, net	(6)	4	-	-	(2)
(-) Interest income	-	(7)	(1)	-	(9)
(-) Interest expenses	2	17	4	-	22
(-) Other financial income (expenses), net	(4)	3	-	-	(1)
<b>Reported EBIT</b>	<b>133</b>	<b>112</b>	<b>(9)</b>	<b>30</b>	<b>266</b>
(-) Integration costs	-	-	-	-	-
(-) PPA impact	-	-	-	-	-
<b>Underlying EBIT</b>	<b>133</b>	<b>112</b>	<b>(9)</b>	<b>30</b>	<b>266</b>

**Reported/Underlying EBIT LTM:** this APM is calculated by aggregation of the quarterly Reported/Underlying EBIT for the last four quarters.

The comparable figures for quarters prior to the 3<sup>rd</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30<sup>th</sup>, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

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<i>Million Eur</i>	LTM Jun 16 (Pro Forma)	4Q15 (Pro Forma)	1Q16 (Pro Forma)	2Q16 (Pro Forma)	3Q16 (Pro Forma)
<b>Reported EBIT</b>	870	183	158	262	266
(-) Integration costs	-	-	-	-	-
(-) PPA impact	-	-	-	-	-
<b>Underlying EBIT</b>	<b>870</b>	<b>183</b>	<b>158</b>	<b>262</b>	<b>266</b>

<i>Million Eur</i>	LTM Jun 17 (Pro Forma)	4Q16 (Pro Forma)	1Q17 (Pro Forma)	2Q17 (Pro Forma)	3Q17
<b>Reported EBIT</b>	884	259	269	305	50
(-) Integration costs	44	-	-	8	36
(-) PPA impact	124	-	-	-	124
<b>Underlying EBIT</b>	<b>1,052</b>	<b>259</b>	<b>269</b>	<b>313</b>	<b>211</b>

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

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

## 7. Net income and Net income per share (EPS) – Reported and underlying

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

**Underlying net income:** net profit excluding after tax impact of integration costs related to the merger transaction and the after tax impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA).

<b>Million Eur</b>	
	<b>3Q17</b>
<b>Net Income</b>	<b>12</b>
(-) Integration costs	36
(-) PPA impact	124
(-) Tax effect in PPA	(37)
<b>Underlying Net Income</b>	<b>135</b>

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

**Underlying net income per share:** the result of dividing underlying net profit by the average number of shares outstanding in the period (excluding treasury shares).

	<b>3Q17</b>
Underlying Net Income (Million Eur)	135
Number of shares (units)	670,313,877
<b>Underlying Earnings Per Share (EUR /share)</b>	<b>0.20</b>

# MANAGEMENT REPORT

## 8. Other indicators

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

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

CARLOS RODRÍGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276.302-A, SECRETARY OF THE BOARD OF DIRECTORS OF "SIEMENS GAMESA RENEWABLE ENERGY, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222, WITH EMPLOYER IDENTIFICATION NUMBER A -01011253.

HEREBY CERTIFY:

That the text of the interim consolidated financial statements and the interim management report correspond to the first six months of the 2017 financial year of SIEMENS GAMESA RENEWABLE ENERGY, S.A. and its subsidiaries that compound the SIEMENS GAMESA Group, which has been authorized for issue by the Board of Directors at its meeting held on September 13, 2017, is the content of the preceding 98 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.

Madrid, September 13, 2017

Mrs. Rosa María García García  
President

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