

# Report: item eleven on the Agenda

Report in connection with item eleven on the Agenda for the General Meeting of Shareholders regarding the proposed authorisation to the Board of Directors to increase share capital, prepared by the Board of Directors of “**Siemens Gamesa Renewable Energy, S.A.**”

At its meeting of 19 February 2020, pursuant to the provisions of sections 286, 297.1.b) and 506 of the Corporate Enterprises Act, the Board of Directors approved this report in connection with the proposed delegation to the Board of Directors of the power to issue shares included in item eleven on the agenda for the General Meeting of Shareholders of “Siemens Gamesa Renewable Energy, S.A.”, which will be held in Bilbao (Biscay), at 13:00 on 26 March 2020, on first call, or on 27 March 2020, at the same place and time, on second call.

## 1. Object of the report

This report has been prepared by the Board of Directors of “Siemens Gamesa Renewable Energy, S.A.” (hereinafter, “**Siemens Gamesa**” or the “**Company**”) pursuant to the provisions of sections 286, 297.1.b) and 506 of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) in order to provide a rationale for the proposal regarding authorisation to the Board of Directors to increase the share capital, within a term of five years, by up to one-half of the share capital existing at the time of the authorisation, on one or more occasions and at the time and in the amount it deems appropriate, with the power to exclude pre-emptive rights as provided in section 506 of the Corporate Enterprises Act.

## 2. Purpose of and rationale for the proposals

Pursuant to section 297.1.b) of the Corporate Enterprises Act, the shareholders at the General Meeting of Shareholders may, by complying with the requirements established for the amendment of the By-Laws, delegate to the Board of Directors the power to resolve, on one or more occasions, to increase the share capital up to a given amount, at the time and in the amount the Board decides. The aforementioned legal provision establishes that the aggregate amount of such increases in capital may under no circumstances exceed one-half of the share capital of the Company at the time of the authorisation and that they must be made by means of cash contributions within a maximum period of five years from the date that the resolution is adopted by the shareholders at the General Meeting of Shareholders.

The Board of Directors believes that the proposed resolution submitted for approval by the shareholders at the General Meeting of Shareholders is justified by the advisability of making use of the mechanism contemplated by current corporate laws and regulations whereby this body may approve one or more increases in share capital without the need to call and hold a new General Meeting of Shareholders for such purpose. Thus, the aim is to give the Company’s Board of Directors greater responsiveness to operate in an environment in which the success of a strategic initiative frequently depends on the ability to deal with it quickly, without incurring the delays and costs associated with holding a General Meeting of Shareholders.

In fact, the dynamics of commercial companies, and particularly listed companies, demands that their governance and management bodies have the most appropriate instruments at all times to respond to the needs that arise in the course of trade in which large companies operate. These needs may include providing the Company with new funds, which is normally implemented through new contributions of capital.

However, it is not possible to predict the Company’s capital needs in advance, for which reason resort to this legally allowed device is considered to be essential in the changing, dynamic and extremely demanding environment in which the Company operates.

In addition, section 506 of the Corporate Enterprises Act provides that, at listed companies, when the shareholders at the General Meeting of Shareholders delegate the power to increase the share capital as permitted by section 297.1.b), the Board of Directors may also be given the power to exclude pre-emptive rights when the circumstances described in such section are present.

In this case, pursuant to the provisions of sections 308.2.a) and 506.4 of the Corporate Enterprises Act, the par value of the shares to be issued plus any share premium must be equal to the fair value of the shares of the Company as set forth in the report to be prepared, at the request of the Board of Directors, by a statutory auditor other than the statutory auditor of the Company, appointed for such purpose by the Commercial Registry on each occasion that the Board exercises the power to exclude pre-emptive rights. Pursuant to section 504.2 of the Corporate Enterprises Act, the market value shall be deemed to the fair value, assuming that it is established by reference to the listing price, unless otherwise justified.

The Board of Directors believes that the power to exclude pre-emptive rights, as a supplement to the power to increase share capital, is justified for several reasons.

First, it tends to entail a relative reduction in the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issuance) as compared to an issuance with pre-emptive rights.

Second, it appreciably increases the promptness of action and responsiveness of the Board of Directors, such that the Company may thus take advantage of the times when market conditions are more favourable.

In addition, the exclusion of pre-emptive rights may allow the Company to optimise the financial conditions of the transaction and, in particular, the issue price of the new shares, as it may bring it closer to the expectations of the qualified investors to whom such increases in capital are customarily addressed, while reducing execution risks through a lower exposure of the transaction to changes in market conditions.

Finally, it mitigates the effect of distortion in the trading of the Company's shares during the issuance period, which is normally shorter than in the case of an issuance with pre-emptive rights.

In sum, it is a device the use of which in a specific capital increase transaction can be critical to its success. The exclusion thereof might entail the loss to the Company of manoeuvring capacity and a significant advantage vis-à-vis other companies competing with Siemens Gamesa in raising funds on primary markets.

In any event, the ability to exclude pre-emptive rights is a power that the shareholders acting at the General Meeting of Shareholders can delegate to the Board of Directors pursuant to the provisions of article 11.6 of the By-Laws. In other words, it is only a power that the shareholders vest in the Board of Directors and the exercise thereof will depend on the Board so deciding, based on the specific circumstances and respecting the requirements of law and the By-Laws (particularly the second paragraph of article 11.6 of the By-Laws).

This being so, in the event that the Board of Directors decides to use the power to exclude pre-emptive rights in connection with a specific increase in capital that it may ultimately approve in exercise of the authorisation granted by the shareholders at the General Meeting of Shareholders, a directors' report and a statutory auditor's report shall be prepared as required by sections 308 and 506 of the Corporate Enterprises Act, which shall be made available to the shareholders on the corporate website of the Company and reported to the shareholders at the first General Meeting of Shareholders held after the increase in capital resolution is approved.

On the other hand, in view of the internationally recognised best corporate governance practices, the authorisation to totally or partially exclude pre-emptive rights in increases in capital carried out pursuant to this authorisation and the authorisation contemplated in item thirteen on the agenda (the issue of convertible or exchangeable and other similar instruments) shall be limited to a maximum amount equal, in the aggregate, to 20% of the Company's current share capital.

The proposal also contemplates making application, when appropriate, for trading of the shares to be issued by the Company under the delegation of powers on Spanish or foreign, official or unofficial, organised or other secondary markets, authorising the Board of Directors to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

It is also proposed to expressly authorise the Board of Directors to further delegate the powers contemplated in this proposed resolution.

Finally, it is proposed to deprive of effect the authorisation to increase share capital granted to the Board of Directors by the shareholders at the General Meeting of Shareholders held on 8 May 2015.

### **3. Proposed resolution submitted to the shareholders at the General Meeting of Shareholders**

The proposed resolution submitted to the shareholders for approval at the General Meeting of Shareholders reads as follows:

**“Item Eleven on the Agenda: “Authorisation to the Board of Directors, with express power of substitution, to increase the share capital upon the terms and within the limits set forth in section 297.1.b) of the Corporate Enterprises Act, with the power to exclude pre-emptive rights, limited to a maximum nominal amount of 20% of the share capital, including such amount as may arise from the approval and implementation of the proposed resolution set forth in item thirteen of the agenda.”**

*To authorise the Board of Directors to increase the share capital on one or more occasions and at any time upon the terms and within the limits set out in section 297.1.b) of the Corporate Enterprises Act, i.e. within a term of five years from the date of approval of this resolution and by up to one-half of the current share capital.*

*Increases in share capital under this authorisation shall be carried out through the issue and flotation of new shares, with or without a premium, the consideration for which shall be cash contributions.*

*In each increase, the Board of Directors shall decide whether the new shares to be issued are ordinary, preferred, redeemable, non-voting or any other kinds of shares among those permitted by law.*

*As to all matters not otherwise contemplated, the Board of Directors may establish the terms and conditions of the increases in share capital and the characteristics of the shares, and may also freely offer the new shares that are not subscribed for within the period or periods for the exercise of pre-emptive rights. The Board of Directors may also resolve that, in the event of incomplete subscription, the share capital shall be increased only by the amount of the subscriptions made and amend the article of the By-Laws relating to share capital.*

*In connection with the increases in share capital that may be carried out under this authorisation, the Board of Directors is authorised to totally or partially exclude pre-emptive rights as permitted by section 506 of the Corporate Enterprises Act, provided, however, that such power shall be limited to increases in share capital carried out pursuant to this authorisation and to the authorisation contemplated in item thirteen on the agenda up to a maximum amount equal, in the aggregate, to 20% of the current share capital of the Company.*

*The Company shall, when appropriate, make application for the admission to trading of the shares issued under this authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, and the Board of Directors shall be authorised to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.*

*The Board of Directors is expressly authorised to further delegate the powers contemplated in this resolution.*

*The resolution deprives of effect, to the extent of the unused amount, the authorisation for the increase in capital by means of cash contributions given for such purpose to the Board of Directors by the shareholders acting at the General Meeting of Shareholders held on 8 May 2015.”*

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