REPORT
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CHAIRMAN

GENERAL SHAREHOLDERS' MEETING

Madrid, 10 May 2018

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Dearest Shareholders,
Distinguished guests,

Once again, I have the pleasure of addressing you as Chairman of Acerinox at the Annual General Shareholders' Meeting of our company.

On behalf of the Board of Directors and myself I wish to reiterate our thanks to you for joining us today.

I find it especially rewarding to chair this Shareholders' Meeting, in which we will inform you of what happened in our company in 2017, since, as you all know, Acerinox ended the year with its best results for the last ten years, with profits of €234 million, three times the 2016 figure, producing an EBITDA of €489 million, which is 48.6% higher than the previous year, and with a margin of EBITDA over sales of 10.6% – the best of the decade. Our company also increased its turnover to €4,627 million, 16.6% more than in the previous year, as you can see on the slide.

These magnificent results were possible thanks to healthy demand in the main economies worldwide and successful price management implemented by Acerinox in all its markets, despite the high volatility of raw materials throughout the year. In addition, they are a result of the Company's positive operational strategy, focused on optimising production capacities and on constant improvement in efficiency. And to all these factors we must add the positive impact at the end of the year of the tax reform approved in the United States.

In this first part of my remarks, I will report on the environment in which our company has had to operate during the year, as well as its most significant operational and economic achievements and changes, which will be covered in more detail in the CEO's presentation.

Global Economy – Demand for Stainless Steel

Now that I have briefly covered the results, allow me to put Acerinox's activity in 2017 in an international context and in the context of market conditions, given the significant dependence of our industry on global economic developments as well as developments in the markets in which we operate.

2017 was a year of consolidation of financial activity around the world, with positive growth rates in the most important markets and increased demand and a stable outlook, which foster and give impetus to activity in industries such as ours.

Indeed, last year the world economy continued on the upward trend which began four years ago, and the figures were higher than in 2015 and 2016, registering growth of 3.7% at year-end.

In this context, world production of stainless steel during the year once again surpassed initial growth forecasts, and according to our estimates, amounted to 5.7% for the year as a whole, which means that the annual growth rate is 5.9% over the period since 1950, and 7.1% over the last decade.

The economy of our main market, the United States, grew by 2.3% in 2017 and is forecast to do even better this year, maybe reaching 2.5%. The American market showed great strength as regards consumption in the business sectors relevant to us, such as the construction sector, which grew for the third consecutive year at a rate of 3.8%; appliances, which grew at a rate of 5.8% and the automotive industry, which, in spite of being subject to a correction of some -2.5%, still has very high levels of activity close to those of the record year of 2016.

All this positive activity was reflected in the growth of the market for stainless steel flat product, which reached around 3%, and the long product market, very much boosted by the recovery of the hydrocarbons industry, with growth of 20%, thus compensating for the fall of -13.6% that was seen in 2016.

Europe – the next most important market for our company – experienced overall GDP growth of 2.3% in 2017, six-tenths of a percentage point more than the previous year, and this trend is expected to continue this year with growth of 2.4%. In the old continent, key industrial consumers of our product also made significant progress with growth of 3.7% in the automotive industry, 4.3% in construction and 3.7% in electrical appliances.

In Europe, real consumption of our products confirmed the trend of the previous year, as did apparent consumption. For instance, consumption of flat product grew by 0.7% to 5.37 million tonnes, consolidating the sharp rise seen in 2016.

According to the latest data from the IMF, the South African economy, which is relevant to our company due to our significant presence in that country, grew by 1.3% over the past year and, with the recent political changes, it seems to be heading for a slow but consistent recovery with forecast growth of 1.5% for 2018 and 1.7% for 2019. In spite of this positive progress, apparent consumption of flat product fell around 6.9% in 2017, mainly due to the drop in domestic demand, which was not offset by external demand.

On the Asian continent, the economy in China, the main player in our industry, once again flexed its muscle, with growth of 6.9% for 2017. It seems the outcome of the 19th Chinese Communist Party Congress, held last October, is aimed at paving the way for the future Chinese economy by "promoting investment and financing, while fostering environmentally-friendly economic growth", which could involve changes to its productive model as well as the adaptation of its economic model, with the focus shifting more towards domestic demand. Taking all this into consideration, along with the potential consequences of the trade war unleashed at the end of the year, led the IMF to forecast growth of 6.6% for China in 2018 and 6.4% in 2019.

The economy of the ASEAN area, where we are in Malaysia, saw its GDP grow by 5.3%, with very similar growth figures forecast for the next two years.

Apparent consumption of stainless steel in China and ASEAN began to pick up again. In the case of China, the increase amounted to 7.2%, driven mainly by domestic consumption, since Chinese exports appear to have stabilised. This stabilisation, together with the refocusing of its economy, constitutes a very good sign for the balance between capacity and domestic demand in China.

Finally: an obligatory mention of our own economy. Once again, Spain was one of the most dynamic European economies, with growth of 3.1%, far exceeding the European average of 2.3%. The success of our economy contrasted with the fragility of the political situation. All the main macroeconomic data point to healthy and balanced growth, and our main problem – unemployment – is on the road to recovery. From 2014 until now, there have been more than two million new Social Security contributors, and unemployment has fallen by almost 1.5 million in the last five years. In spite of this, the weakness of a government with a parliamentary minority and the absence of the desired consensus in our political life, paralyses reforms which are essential to underpinning economic and social progress.

However, the most serious and pressing problem that our country has faced and continues to face is the Catalonia problem, and although the unity of the major national political institutions and the actions of the justice system have been effective in tackling the challenge in the short term, it will be necessary to do much more in order to reunite a divided, fragmented and bewildered society.

If we can all manage to build consensus and strengthen our democracy based on the rule of law, we will create the political stability needed to ward off unwanted populisms, and even more importantly, we will strengthen and stabilise the growth needed to ensure the economic and social progress that we all want.

Highlights of 2017

I turn now to the elements which seem to me to be the most notable features of last year, and which, as I said at the beginning of my remarks, had the greatest impact.

The favourable performance of the markets to which I have referred led to Acerinox achieving in 2017 its highest production in cold rolling since its establishment in 1970, as well as its second best year in terms of melting production and hot rolling. The volume of stainless steel produced grew last year at all our plants with notable increases in production in cases such as Bahru Stainless, our factory in Malaysia, with growth of 33%.

Once again, volatility was one of the variables with the greatest effect on our industry and the results for the year.

Prices of raw materials improved over the year as a whole, but were affected by volatility. For instance, nickel, which has a significant effect on the stainless steel market, in June approached the lower levels of 2016, when it sank to around €8,700 per tonne, whereas in December, it was close to its highest prices of recent years at €12,300 per tonne.

This volatility in raw materials affected market behaviour and also the prices of our product, but thanks to the successful use of capacity and the productive mix of our factories, and to the positive price management implemented by our company in all its markets, we ensured that the result of all of this was significant growth in the volume of business.

During the year, we continued to focus our efforts on continuous improvements in efficiency and in our competitive position, through the implementation of what we refer to as "efficiency plans". A good example to illustrate how success on the ground is reflected in the accounts, is the fact that the EBITDA for the year, as well as the margin over sales, exceeded those obtained in 2010 and 2014, which are regarded as satisfactory years in the context of the last decade, and this is despite the fact that in 2017 prices in our main markets were below those seen in either of those years.

The outturn we have presented to you was also affected by volatility during the year; thus, the EBITDA for the first quarter reached the exceptional figure of €191 million, with an extraordinary 15.3% margin over sales, only to fall in an abnormally weak third quarter to €53 million with a 5% margin. It then recovered in the fourth quarter reaching a level much more in keeping with the average for the year.

I would now like to mention the efficient financial management carried out by our company over the last few years. For the fifth consecutive year, Acerinox has been able to reduce its financing costs. The savings achieved over these years have amounted to 65%, much greater than the reduction in Euribor rates over the same period. Net financing costs in 2017 were €19 million, 34.7% lower than the previous year. Compared to its closest European listed competitors, our company has the lowest financing costs and has reduced its costs the most in the period – a fact that has been consistently recognised by the markets.

Financial debt fell by €11 million over the previous year, standing at €609 million. This reduction would have been more significant had it not been for the effect of the depreciation of the dollar on our treasury positions in the United States.

As a final point regarding financial management, I would like to point out that refinancing transactions to the tune of €725 million were carried out during the year. We restructured and extended the term of the Columbus "Borrowing Base Facility” by the sum of 3,500 million rand; our €370 million syndicated factoring agreement was also modified. All this was done in order to extend maturities, reduce the costs and improve the quality of our financing.

As you all know, cash generation is one of the key variables in measuring the performance of any business, and certainly at Acerinox we consider it a priority. The Group generated an operating cash flow of €366 million, which enabled us to meet payments for investments made during the year amounting to €185 million. Our free cash flow of €181 million enabled us to pay the dividend entirely in cash in the amount of €124 million and to reduce debt.

In the period 2008-2017, which includes the years of the financial crisis, Acerinox was the only company in our industry capable of generating €3,081 million in cash, and was thus able to make investments amounting to €1,771 million, to return €996 million to our shareholders and to reduce net financial debt by €314 million, which enabled us to reach the healthy year-end position that we have described, with a ratio of net debt over EBITDA of 1.2 times and leverage of 31%.

Finally, and as a very significant achievement of 2017, I would like to point out that during the year we completed the investments under our 2016-2020 strategic plan. Last October, in the presence of the Governor of Kentucky, the Ambassador of Spain to the United States and of all the Acerinox Directors, NAS officially inaugurated its new installations for producing bright finish stainless steel (BA), thus completing an investment of €120 million, and in March 2018, the new Acerinox Europe installations in the factory in Los Barrios were commissioned, after an investment of €140 million. Through these developments, we have incorporated the most competitive technologies available in the world today into our production processes.

As a final note in this account of significant events over the year, I would like to make mention of the tax reform approved at the end of the year in the United States, which, as I said at the beginning of my presentation, has had a very positive impact. On 22 December, the biggest tax reform in the United States for thirty years was approved, which is applicable from 1 January 2018. The most important measure is the reduction of the federal tax rate from the existing 35% to 21%. This reduction will have very positive effects for our group in the future, since NAS, our American subsidiary, is the largest contributor to group profits. Coupled with this, recognition of the reduction in the tax rate for deferred tax liabilities has also had a positive impact on this year, as it has increased net profits by €66 million.

First Quarter 2018

At the end of April, we reported on the results of the first quarter, figures that were affected by the introduction of tariffs on imports of steel products to the American market, which could lead to a trade war with restrictions on free trade worldwide, and by the sharp drop in the alloy surcharge in January, which was a result of the decline in the prices of ferrochrome, compensated for throughout the quarter thanks to the rise of nickel and the base price.

With turnover of €1,254 million, substantially similar to the same quarter of the previous year, an EBITDA of €118 million and a net profit of €58 million were achieved – much lower than the figures for the first quarter of 2017 – which as I mentioned was exceptional, but very much in line with the outturn for the last quarter of last year, and also with the average for the year.

The American market has performed well during the quarter, helped by the news on tariffs, an upturn in the prices of raw materials and demand for stainless steel that has behaved well. This leads us to foresee an improvement in the outturn for the second quarter and to have strong hopes for the year as a whole.

Technological Innovation

I want to emphasise the strategic importance that Acerinox attributes to technological innovation as a fundamental instrument for product development and new applications, for process improvement, and finally, for the generation of efficiencies that improve our competitive position.

The technological revolution in full swing in our society forces us to use two key tools for progress, which are the Digital Transformation of our company and its Research and Development policy.

Nowadays, Digital Transformation is a key factor for the future of industry in general, and certainly of our own, and has to be part of the DNA and of the culture of our company. It has to reach all levels of management and all processes, enabling us to develop more collaborative ways of working in order to gradually transform our business model into one that is much more competitive than our current model. This is a big challenge that we must meet, and one on which we are already working with ad hoc teams led by the Chief Executive Officer.

We also continue to pursue our enduring commitment to Research and Development in our laboratories and in the workshops of our factories. Our strategy for the purchase of raw materials, final delivery to the customer, the equipment needed to manufacture the finished product, transport and optimal routing, the most appropriate locations for storage and for our delivery models, all use the most advanced processes developed specifically for the purpose.

The Group spent €14 million on the various laboratories in its factories around the world, and given that our steel production requires constant investment in new equipment, during the past decade we have allocated an average of €160 million annually to investment in our factories. It is a significant financial and human effort which is also intrinsically linked to the values of the Company and of those who form part of it, dedicated to finding new answers that enable us to face new challenges and discover opportunities for business and improvement.

Responsibility and Sustainability

This year's Integrated Annual Report is once again a reflection of the double reality of our company: its economic reality to which I have already referred, and its social reality, which is detailed in the Non-financial Information section of the Report, which has been audited for the first time.

I will take the opportunity, as I do every year at the General Meeting, to point out the aspects which seem to me to be most significant.

As we all know, Acerinox is a company that specialises in the manufacture of stainless steel, the only truly global company in the industry, but which has the characteristic of thinking globally and acting locally wherever it operates. It enjoys a world market share of around 6%, 12% in Europe, 35% in the US, being the leading company in the industry in that country, 80% in South Africa, and 10% in ASEAN.

The European Union advocates the circular economy as a fundamental basis of sustainability. Acerinox is a pioneer of that economy as it uses scrap as its main raw material, thus making its factories efficient recycling plants.

Respect for the environment is one of the fundamentals of the Acerinox business model, and as well as what I have already said, it has a strategy that prioritises continuous improvement in the various applicable environmental indicators, with programmes at all its facilities aimed at reducing environmental impact and at the efficient use of resources.

Once again, the Group has positioned itself as one of the most efficient businesses in reducing emissions, according to International Stainless Steel Forum (ISSF) data, with a direct emission intensity 35% lower than the average of the other stainless steel manufacturers around the world. In order to achieve these results we devote more than €101 million to environmental expenditure every year.

We participate in a number of projects for the prevention of climate change worldwide and we collaborate within the industry and in Europe in environmental studies, for which we have received various awards and recognition at all levels.

Our presence with industrial facilities on four continents and sales in more than 85 countries, makes our workforce one of the most diverse among Spanish listed companies, both in terms of gender and in relation to race, culture, religion, and language.

Since the steel industry is not without risks, we promote a global health and safety policy which goes much further than the requirements of the laws in force in the various countries in which we operate.

Finally, we devote a great deal of effort and financial resources to the training of our workers, as well as to social and educational collaboration in the geographical areas where our business is carried on, through a large number of health, cultural, sport and environmental projects.

You can find comprehensive details of all our activities in the Management Report for 2017.

Corporate Governance

Following Recommendation 3 of the Code of Good Governance, which suggests that Chairmen report orally at General Meetings on the most relevant aspects of Corporate Governance, I would like to mention the progress made in this regard last year at Acerinox.

The Board of Directors continued to work throughout the year on improving and optimising our Company's Corporate Governance. The number of meetings of the Board of Directors and its Committees increased, focusing the Executive Committee's activity on the Company's strategy.

With recent appointments to the Board, the majority of our Board of Directors are independent members.

We increased the number of women on the Board's Committees. As of today, 50% of the independent directors are women, accounting for a total of 26.6% of the Board and thereby coming close to fulfilling the recommendation of reaching a figure of 30% by 2020. Furthermore, we increased the number of women on the Board's Committees and two of the three existing Committees are chaired by women.

The recommendation for an independent expert to make an assessment of the operation of the governance bodies has been followed. It was the firm KPMG that made a series of proposals for improvements that will be implemented during the course of this year. A new remuneration policy was designed and approved for the Executive Directors and Senior Management, adjusting their compensation system to the suggestions made by the good governance recommendations and the voting advisors. New Prevention and Compliance officers have been appointed, as well as a Risk officer, who will work directly with Management and with the Committees of the Board. The Audit Committee intensified its operation during the year, and in so doing became the most active Committee, carrying out very commendable work in the development of its rules, following Technical Guide 3/2017 on Audit Committees, adopted by the CNMV.

Share Price Performance

Undoubtedly, the section that attracts the greatest interest of our shareholders is the one that relates to the performance of our share price on the stock market.

The Acerinox share price performed very well during 2016, when it rose by 33.8%, and thus became one of the best-performing IBEX 35 shares that year. In the first quarter of 2017, it continued to rise, achieving increases of up to 11%. However, uncertainties surrounding the Chinese economy, confusing news regarding the potential trade war launched by the US administration, and the announcement of the joint venture by Allegheny and Tsingshan for the American market, put downward pressure on our shares, which ended the year at €11.90, representing a fall of -5.5% in comparison with the 7.4% rise in the IBEX 35.

A more optimistic view of the progress of our share price can be discerned from its performance over the past two years. In this context, it went up by 26.5%, compared to a rise of 5.2% for the IBEX 35. So far in 2018 (up to 4 May), Acerinox's share price has fallen by 0.34%, similar to the IBEX 35, which rose by 0.60%. This was in contrast to the falls registered by our European competitors: 5.65% in the case of Aperam and for Outokumpu, 28.35%. The strong hopes that we have for our business in what remains of this year, with our American business performing very positively, leads us to think that, if the market reads this situation properly, the value of our shares on the stock markets will rise in the future.

Agreements brought before the General Meeting

I would like to highlight the following matters brought before this Shareholders' Meeting:

Dividends

The approval of a dividend of €0.45 per share is proposed so as to continue the remuneration policy for our shareholders for one more year. As in the previous year, this dividend will be paid entirely in cash, with a total of €124,230,394.35 to be distributed on 5 July 2018.

Directors Remuneration Policy and Amendments to the Articles of Association

As I said when referring to the Corporate Governance of our company, a new system of remuneration for the CEO and Senior Management has been established, with the aim of bringing it in line with the suggestions set out in the recommendations of good governance and of proxy advisers, as well as with normal market practice.

The Directors Remuneration Policy must include and describe in full the remuneration to be received by Executive Directors, in our case only the CEO. You can all read this description in the Directors Remuneration Policy document, in an exercise of transparency in keeping with our Corporate Governance philosophy.

With regard to its own remuneration, the Board decided to leave the amount of its remuneration unchanged, with only a small modification, consisting of the allocation of double attendance fees to Committee Chairmen (up to now they received the same as all the Directors), thereby rewarding the greater workload, dedication and responsibility of all our Chairman.

The amendment of section 25 of the Articles of Association being proposed is a result of the minor amendments introduced in the case of the Directors and of legal developments in Spain, which require the Articles to detail executive director remuneration with greater transparency.

LTI Multi-year Remuneration Plan

As part of the remuneration policy for the CEO and Senior Management, a Multi-Year Remuneration Plan or Long-Term Incentive payable in company shares has been established as a component of their remuneration. This will be linked to the fulfilment of a number of established metrics. All of this is aimed at aligning the interests of management more directly with those of shareholders and linking them more closely to the Company's value creation process.

The LTI has three cycles of three years, the first stretches from 1 January 2018 to 31 December 2020, the second from 1 January 2019 to 31 December 2021, and the third from 1 January 2020 to 31 December 2022. In point nine of the Agenda, for the first time in our company, the first of the cycles, which stretches from 2018 to 2020, is subject to your approval.

Re-election of Directors

Finally, I would like to point out that the re-election of the following directors for a further period of four years is put before shareholders:

- The Executive Director, Mr. Bernardo Velázquez Herreros

- The Proprietary Directors, Mr. Santos Martínez-Conde Gutiérrez-Barquín representing the Alba Finance Corporation and Mr. Mvuleni Geoffrey Qhena, representing Industrial Development Corporation.

- Myself as an Independent Director.

Furthermore, to fill the vacancy resulting from the resignation of the Proprietary Director, Mr. Yukio Nariyoshi, the appointment of Mr. Katsuhisa Miyakusu as Proprietary Director representing Nisshin Steel Co. Ltd. Group,

Mr. Nariyoshi has been linked to our company as a member of the Board of Directors for the past eight years and has made an extraordinary effort in performing his duties, so on behalf of all of us I would like to thank him for his dedication, his effort and his hard work.

Future Prospects

I wish to conclude my remarks with some reflections on how we envisage or foresee the future, and perhaps most importantly, how we should approach it, despite the fact that, as we have so often said, trying to guess the future is one of the most risky ventures there is.

Once again, we have to say that our world is still facing a set of environmental, economic, geopolitical, social and technological uncertainties, which are bearing down on us, in many cases without any clear form. Also, we are experiencing unexpected and surprising events, such as the diplomatic tension between Russia and the West, the negotiations between the European Union and Great Britain on Brexit, the elimination of tensions in Korea, the results of elections in countries or regions with the emergence of outdated populist or nationalistic ideas or the implementation of protectionist economic measures that one thought had been consigned to history.

In spite of the above, the world economy continues to behave strongly and we have navigated the year in relative peace and tranquillity. But the most important factor for the future is that the forecast for the global economy over the coming two years is still one of sustained growth (around 3.9%), with emerging countries and developing economies set to grow at 5% and advanced economies at around 2.3%, and this is certainly good news for a company like ours.

Today, it is true that we must pay close attention to the new trade order that is being fought over in the world, with the debate regarding opening up or protecting economies, to the measures implemented by the Trump Administration, which will set the tone for the next few years, and to their consequences, which are hard to predict, but which will be felt in a very special way in the stainless steel industry in general and at Acerinox in particular. However, it is good to know that, in our case, it will not affect us negatively but possibly positively, thanks to our geographical diversification, which allows only us to be global but at the same time local in two of the most important markets: America and Europe.

The other major issue about which we need to be especially vigilant in the near future is the development of China, particularly as it concerns our industry and China's influence in the world and particularly in the Asian market.

Taking all this into account, if there is no unwanted turbulence and forecasts are confirmed, it would seem we are entering into a virtuous, positive cycle for our industry, of course subject to the two risks it traditionally faces: global productive overcapacity, coming mainly from China, and the volatility that is inherent in our business.

It seems that the first of these risks, which is largely out of our control, will gradually diminish if the new Chinese economic policy is confirmed by actions. We will need to keep monitoring this situation and its development, because it will condition many of our decisions for the future.

The second risk, volatility, will remain with us, and we are obliged to develop skills, policies and strategies to enable us to manage it better than we do at the moment, if that is possible.

It is a complex and uncertain environment that we will have to face in the future, but believe me, at Acerinox we are well-prepared, with the best geographical diversification in the industry, which is the product of decisions made years ago that have been shown to be the right ones, with a good product mix to supply the markets in which we operate, with a good competitive position resulting from the investments made through the years and from exacting standards that motivate us to seek continuous improvement.

In order to face the future, in an industry like ours, we have to continue to improve our competitive position and to be an efficient, innovative, creative company. And to do this, in addition to continuing with the efforts of the past, we need to be open to new ideas and to know how to take advantage of the new tools that the technological revolution puts in our hands.

We need to keep as one of our top priorities the ability to maintain a sound and efficient financial structure which will enable us to take advantage of the organic growth of our industry, which today we do already. But also, if necessary, we need to be able to cope with new opportunities, which today we cannot imagine, but which we have the obligation to be able to manage if we want to assure our leadership position.

Only by further strengthening that powerful, winning culture, that culture of rigorous standards which is self-challenging, and which we like to show off, will we be able to rise to the challenges and take advantage of the opportunities we are offered, with the aspiration to achieve those increasing profits that are expected of us, and thus generate a differential value with attractive returns for our shareholders.

In order to achieve all of this, we have the 6,750 people who make up our human capital spread over four continents, with our management team, which is effective, dynamic, full of ideas and recognised in the markets and in the industry, and a good proof of this is the fact that our CEO was recently appointed Chairman of UNESID.

We also have our Board of Directors, which spares no dedication or effort, but above all, we have and we would like to continue to enjoy the confidence and support of all of you, ladies and gentlemen, our shareholders, without which nothing would be possible.

Thank you very much
Rafael Miranda
Chairman