



**REPORT THAT THE ACERINOX, S.A.  
ADMINISTRATORS FORMULATE ON  
THE PROPOSAL OF DELEGATION TO  
THE BOARD OF DIRECTORS ON THE  
FACULTY TO ISSUE SIMPLE AND/OR  
CONVERTIBLE AND/OR  
EXCHANGEABLE OBLIGATIONS  
INCLUDED IN THE AGENDA OF THE  
GENERAL SHAREHOLDERS' MEETING  
TO BE HELD ON FIRST CALL ON 21  
OCTOBER 2020, AND ON SECOND  
CALL ON 22 OCTOBER 2020**

**Madrid, 26 February 2020**

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## **I. PRECEDENTS**

This Report is formulated to justify the proposed agreement whereby, under the provisions of the general scheme on the issuance of obligations (Articles 401 and following of the Corporation Law hereinafter LSC, and 310 and beyond of the Regulations of the Commercial Registry), the precise powers to issue:

- a) Bonds or simple bonds
- b) any securities representative of a debt to the company, either on Spanish territory or in foreign territory.
- c) obligations
- d) obligations convertible in shares.

In the current situation of financial markets, the Board of Directors should have the greatest facilities to go to credit, banking or not, through the widest range of systems and having a wide flexibility and capacity of response therefore, the proposal for a delegation to the Board should not be confined to the assumption referred to in the preceding paragraph but should also cover the possibility of issuing securities representing a loan, or even simple obligations or, where appropriate, obligations that entitle the subscription of shares of the Company under the conditions predetermined by the General Shareholders' Meeting.

In the same way, in order to facilitate the issuance of securities and the fund-raising, the authorization also includes the possibility that it is the Company, the parent of a Group, that issues the arising values or that it is a subsidiary of the same, with or without guarantee of the Group's parent company, in whole or in part, in such a case, complying with the legal requirements applicable in the respective territory, with the particularity, in this case, that the conversion affects only the titles of the issuing company of the same.

## **II. JUSTIFICATION FOR THIS PROPOSAL**

Since the next year expires the five-year period by which the General Shareholders' Meeting held on 9 June 2016, granted the Board of Directors of Acerinox, S.A., the power to issue bonds, obligations, convertible obligations or other fixed income securities in any market, the Board of Directors considers it appropriate to submit to the General Shareholders' Meeting its renewal in order to have the aforementioned powers, to go to the capital market and obtain financing by issuing fixed income securities in the most agile and effective as possible, to the extent that this captation resources formula is deemed

appropriate, weighing market circumstances, the Company's strategic objectives and its financing needs. In this context, it is considered appropriate that the Board of Directors should have the capacity to take the decisions it deems most suitable for the company interest, as well as to implement them flexibly and adapt to the requirements deadlines imposed by financial markets.

The proposal gives the Board of Directors the power to issue fixed income securities, whether simple and convertible and/or exchangeable, which may entitle the subscription or acquisition of shares of the Company, either to issue or in circulation.

The agreement submitted to the General Shareholders' Meeting establishes the quantitative and maximum set limit on the issuance of any securities under the authorization of the General Meeting, amounting to THREE BILLION (3,000,000,000) euros.

The time limit during which the Board of Directors may make use, on one or more times, of the authorisation is five years.

In addition, the agreement submitted to the General Shareholders' Meeting for approval delegates to the Board of Directors itself, in the event that the Latter agrees to make use of the authorization of the General Meeting, the development and concreteness of those bases and the modalities for each issuance.

On the other hand, the proposed agreement also provides, in the event that the issue concerns convertible obligations on new issuance shares, the authorisation to the Board of Directors to agree to the exclusion of the right to preferred subscription of shareholders and holders of other convertible obligations previously issued, where this is necessary or appropriate for the collection of financial resources on national and international markets or is required by the company interest.

The exclusion, in whole or in part, of the preferential subscription right is defined as a power that the General Meeting confers on the Board of Directors under Article 511.1 of the LSC and, therefore, its exercise will depend on the the Board of Directors itself adopts on the concurrent circumstances in each case and with respect for the legal requirements. The reasons which this Board of Directors believe that the request for delegation to the General Meeting already provide for the possibility of excluding the right of preferential subscription in the issuance of convertible bonds are based on the desire of the Company of being able to go to as large a universe as possible, from possible external sources of funding.

If, in the use of those powers, the Board of Directors decides to abolish the preferential right in relation to a specific capital increase, it shall, at the time agree to the increase issue, a detailed report of the reasons which, in support of the company interest justify the adoption of such a measure; this report shall be supplemented by another to be performed by an auditor of accounts in the terms provided for in Article 417 of the LSC. Under the abovementioned provision and Article 511.2 of the LSC, both reports shall be made available to shareholders and communicated to the first General Meeting to be held following the capital increase agreement.

### III: PROPOSAL OF AGREEMENT

Request to the Company's General Shareholders's Meeting:

“Delegate to the Board of Directors the precise powers to issue bonds, obligations, convertible bonds with the power to exclude the right of preferential subscription if the Company's interest so requires or other fixed income securities, any market, as follows:

1.Reach of delegation.- The delegation to issue these titles, will comprise, as widely as the right observes, the fixing of all the elements and circumstances of each issuing (face value, issue type, redemptore price, currency, representation, interest rate, depreciation, subordination clauses, issuing guarantees, place of the issuing, internal rules of the bondholders and appointment of steward, in case of being compulsory, admission to listing, etc), the carrying out of all the necessary steps, even according to the stock exchange rules which must be applied for the execution of any of the specific issues according to the terms of this delegation.

2. Bases and methods of conversion and/or exchanges in case of a special issue of convertible debentures and/or exchangeable- For the case of issuing of bonds and/or convertible debentures, and to the effects of the bases and methods of conversion and/or exchange, they will be fixed by the Board of Directors each time they are carried out, always according to the following criteria:

- a. The relation of conversion and/or exchange will be fixed and for this purpose, the bonds and/or convertible debentures will be assessed by their face value, while the corresponding shares will be at the fixed exchange set in the corresponding agreement of the Board of Directors, according to the closing value of the company shares, presented in the periods or reference periods which will be determined by the Board of Directors itself. In case of convertible debentures, it will never be lower than the price of the company shares between (i) the arithmetical average of the closing price of the company shares in the continuous market during the period to be set by the Board of Directors, not longer than 3 months neither shorter than fifteen days after the Board Meeting, where exerting this authorization, it is agreed the issue of convertible debentures and (ii) the closing price of the company shares in the continuous market the day immediately before the celebration of the Board of Directors meeting, as stated in the previous section (i).

- b. In any case, according to articles 415, 1<sup>st</sup> and 2<sup>nd</sup> of the LSC, the bonds value, cannot be lower than their face value, and cannot be converted into shares if their face value is lower.
- c. If when applying the conversion and/or exchange equation, there would be fractions of shares to be delivered to the owners of the bonds or/and convertible debentures and/or exchangeable, they will be rounded up or down, depending the whole number. If there are excesses they will be compensated in cash, according to the treasury availabilities.
- d. Anyhow, in each issue agreed by the Board of Directors exerting the authorization given by the General Shareholders meeting, a report of administrators will be drawn up, including the details of the bases and methods of the conversion and/or exchanges applicable in such issue, which will be object of the corresponding report from the independent expert, according to the article 414.2.LSC.

2.1. Period for the conversion and/or exchange of the values in case of issuing of convertible debentures. The values issued can be converted and/or exchanged by shares in the moments determined by the Board in each of the flotations agreed according to article 418 of the LSC. Nevertheless, the maximum period for the conversion and/or exchange will be TEN (10) years, from the moment when the flotation is carried out.

2.2. Rights of the owners of the convertible value. The owners of the convertible or exchangeable values will always have all rights observed by the law in force.

2.3. Increase of capital and exclusion of the right of preference subscriptions in convertible values. The delegation to issue bonds and/or convertible debentures upon newly issued shares will include:

- a) Increase the capital in the necessary quantity to comply with the applications of conversion on newly issued shares. This faculty will be in accordance with the total share capital increases agreed by the Board of Directors, considering those related to the faculties now delegated and those subject to the General Meeting authorization, which will not exceed the half of the forecasted share capital, according to article 297,1, b) of the LSC.
- b) To exclude the right of preference subscription of shareholders or bondholders when this is necessary and convenient for the company. In any case, if this faculty would be exerted, the Board of Directors would issue a compulsory report of administrators, together with the corresponding report from the accounts auditor, in accordance to article 511.3 of the LSC.

- c) To develop and specify the bases and methods for the conversion and/or exchange established in this agreement.

2.4. Quotation of the values. When necessary, the Company will request the admission to quotation/negotiation in secondary official/unofficial markets, domestic or foreign, of the convertible titles issued in the exercising of this delegation, being the Board of Directors empowered to take any necessary step for their respective admission in the corresponding financial market.

2.5. Guarantee of issues of values of dominated societies. The Board of Directors is also empowered to guarantee in the name of the society, within the above mentioned reasonable limits, the new issues of values which, during its valid period according to this agreement, will be carried out by its Group societies.

The maximum limit of this delegation is three billion (3,000,000,000) euros, once all the contracting methods have been included and the period is five years. The issues comprised in can be of one or more types. Also, it will be possible to make as many issues as the Board of Directors deems convenient, whenever the sum of all do not exceed the above mentioned figures. The present delegation of powers on the Board of Directors replaces that granted by the Company's General Shareholders' Meeting held on 9 June 2016".

This report has been formulated and approved unanimously by all members of the Board of Directors by voting.

Madrid 26 February 2020