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# CHAIRMAN'S REPORT

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General Shareholders' Meeting 2023

MADRID, MAY 23, 2023

ACERINOX

Ladies and gentlemen, shareholders, good morning to you all, and thank you very much again for attending Acerinox's General Meeting of Shareholders.

It is with honor, pride, and a sense of immense responsibility that I address you for the first time as Chairman of this company. I can assure you that I will serve in this role with humility and enthusiasm, and that I will give the best of myself based on the experience I have gained throughout my professional career to continue making Acerinox a leading example in the stainless steel and high-performance alloys market.

The course of the company, guided by its values as fundamental pillars, must continue to move toward improved efficiency and profitability in order to make it one of the most attractive companies. And that is where I will focus my efforts.

The bar has been set high as I inherit this role from a superb professional who exemplifies values—Mr. Rafael Miranda—who stated in his farewell letter, and I quote with his permission, that we must continue making Acerinox a "stronger, more modern, more agile company, with a wider range of products, more efficient production systems and processes, with a Digital Transformation project already underway." It is a much more sustainable company, and a paragon of the circular economy with an ambitious sustainability agenda.

Acerinox is a Spanish company, but it is also a very American and global company that has established itself as the most global business of the sector in the stainless steel and special alloys market, upholding its indisputable leadership in a market as important as that of stainless steel in the United States.

We find ourselves in a context of nearly perpetual geopolitical instability and market instability that requires us to make great efforts from a management perspective. We are overcoming these conditions thanks to the company's global nature. As we have always done, we expect to come out stronger.

Fiscal year 2022 was an example of this, full of challenges and marked by both the Russian invasion of Ukraine and increased inflation in the world's major economies.

Let us not forget that the conflict in Ukraine is the first large-scale war in Europe since World War II. The geopolitical complications arising from this invasion included heavy Western sanctions on Russian products, as well as serious logistical and supply problems in international supply chains. All of this had a major impact on energy prices, especially in Europe, where the costs of gas and electricity reached record highs last year.

Despite having decreased, inflation and energy prices (especially in Spain) remain high. This represents a challenge that we will have to face yet again, and one that I am certain we will face just as successfully as we have in the past.

Within this context, the industry is experiencing a process of regionalization. Supply chain disruptions during the pandemic, together with the difficulties generated by the war and the trade defense measures in place in our company's major sales areas, will make imports less attractive. This translates to reduced supply in the essential markets where Acerinox has production centers and an established business, and this will benefit our activity in the coming years.

If I may, I'd like to spend some time on the company's outstanding results during the year under review. We can feel satisfied knowing that these are the best results in Company history in terms of billing, EBITDA, and operating cash flow. Acerinox is in a great moment, and its activity in the years to come should benefit not only from a foreseeable increase in demand, but also from the process of regionalization that I just mentioned.

Have no doubt that Acerinox is prepared, in this market context, to demonstrate its strength yet again thanks in large part to the hard work carried out in recent years.

In fact, we have a distinguishing value: the competitive advantage of having factories on several continents, the largest commercial network in the market, the diversification of our wide range of products, and the extensive know-how of our employees, all of which are assets that give us an edge. Even so, we will not settle; we will continue to invest in an ongoing process of modernization within the company's systems, processes, structures, and channels.

However, these strong results have coincided with poor overall performance of the main stock indexes (and Acerinox is no exception). The year 2022 ended with widespread declines in the main stock markets due to geopolitical uncertainties; the substantial increase in inflation in the United States and Europe; rising energy costs, especially in Europe; lower growth prospects in Western economies; and much more restrictive monetary policies than in previous years.

In the United States, the Fed raised interest rates seven different times, and European central banks also raised rates for the first time in years to combat rising prices.

All of this led to declines in the main markets. After reaching record highs in 2021, the United States S&P 500 and Nasdaq 100 recorded downturns of 19 and 33%, respectively. Both indexes were affected by their exposure to technology companies whose valuations fell significantly with the sharp rise in interest rates.

European indexes followed suit, with examples such as the 12% drop in the German DAX and the 10% drop in the French CAC. In Spain, the IBEX 35 performed more moderately than other European indexes, with a 6% drop over the year, due to its significant exposure to the financial sector, one of the few sectors that should theoretically benefit from the rise in interest rates.

As I said, Acerinox's stock also suffered as a result of all this. We have not managed to see reflected in the share price the excellent results I described and the company's potential. I assure you that we are working to change this, as we believe we are trading at multiples significantly below what Acerinox deserves.

Personally, I am surprised that our share values do not reflect Acerinox's unparalleled strengths. We are the most international company in the stainless steel market. We are number one worldwide in the high-performance alloy sector and the standout leader in stainless steel in the United States—a market that continues to perform ahead of and yield profits far beyond those of other regions, and one where Acerinox has a large market share. However, our stock does not reflect our true intrinsic value.

Our company's stock reached its highest annual valuation at the beginning of the year (January 13), when it stood at 12.80 euros, and its lowest ten months later, on October 12, at 7.90 euros.

Despite 1) achieving the best results of our history in 2021, which were far surpassed in 2022; 2) continuous increases in product prices, which we managed to implement at all of our factories; and 3) the good outlook based on 2022 results, after reaching record half-year results for the year, Acerinox closed the year at 9.20 euros per share, representing a 19% decrease in share price. Yesterday the stock closed at around 10 euros—an improvement that still seems insufficient to me.

I am convinced that Acerinox's share valuation will end up correcting itself, as I consider it a market anomaly. For this reason, we continue to show our gratitude for the trust of those who maintain their commitment to Acerinox through solid shareholder remuneration.

During the 2022 fiscal year, the company allocated a total of 336 million euros to shareholder remuneration, between dividends and share buybacks. This figure more than doubles that of the previous year, at a 132% increase compared to 2021, and represents a payout of 60%.

As you know, we made a cash payment of 0.50 euros per share and implemented two share buyback programs. In addition, a new Shareholder Remuneration Policy was approved.

On this last point, in December 2022 the Board of Directors, which I chair, approved proposing to you during this 2023 General Meeting of Shareholders an increase in the annual ordinary dividend to 0.60 euros gross per share. This dividend would be stable in its total amount and would therefore increase as shares acquired through buyback programs are redeemed.

I believe it is worth remembering that Acerinox maintained a dividend of 0.45 euros per share from 2006 to 2018 and that this amount has increased on several occasions since then. If the General Meeting of Shareholders ultimately approves the increase in the annual ordinary dividend to 0.60 euros gross per share, payment in the form of ordinary dividends will have increased by 33% over the last four fiscal years.

As a general rule, the dividend will be paid in two installments: an interim payment in January and a final payment in July. The Group has already paid an interim dividend of 0.30 euros per share for the 2022 fiscal year on January 27.

In addition, provided it is permitted by 1) market conditions, 2) the Company's earnings, and 3) a net debt that does not exceed 1.2 times the average EBITDA for the cycle, the Board may resolve to pay shareholders through share buyback plans or the payment of extraordinary dividends, within the authorizations granted by the General Meeting.

I would also like to point to the hard work of the Board of Directors and its Committees during fiscal year 2022.

The different governing bodies held 50 meetings, between the 15 meetings held by the Board of Directors and the 35 meetings held by the Committees. To give some context to the increase in the company's governance activities, the number of meetings increased by nearly 20% compared to the previous fiscal year, when 42 meetings were held. Looking back five years, the increase in activity is more than double that of past governance activity. During the 2017 fiscal year, 24 sessions were held, although at that time, the sustainability committee had not yet been formed.

I must take this opportunity to thank the members of the Board of Directors and the General Secretary for their efforts in this vein.

I would like to highlight, among the most significant governance decisions, the creation of the position of Coordinating Director, whose appointment and responsibility fell to Mr. Donald Johnston. Thank you, Don.

I cannot end my first address to the General Meeting of Shareholders as Chairman of Acerinox without mentioning our commitment to sustainability.

Sustainability has become a driver that supports the Group's strategy, and we must see it as an element that produces competitive advantages, in addition to being an opportunity for business growth.

For this reason, the company has reinforced its commitment to people, society, and the planet by promoting a wide variety of initiatives that generate long-term value.

The Positive Impact 360º Plan covers the main initiatives carried out by the Group in the environmental, social, and corporate governance areas, focusing on the most relevant issues based on the impact of our activity. I suggest reading the Sustainability report included in the 2022 Annual Report.

I want to emphasize that Acerinox Group's activity contributes to the creation of a sustainable future by minimizing environmental impact through its creation of a product that has a long lifespan and can be infinitely recycled.

In addition, its primary raw material is scrap metal: more than 90% of the material is recycled, making the products that the Group manufactures a prime example of circular economy and essential to the energy transition. This represents an opportunity to create a new production model based on sustainable development.

The Company is also committed to diversity, equality, and equity among our employees and collaborators, including diversity of gender, race, and religious beliefs.

There's no better evidence of this than the fact that we operate in 64 countries with very different cultures and religions on five continents and make sales in close to 80 countries.

We are increasing opportunities for growth and training for those who work at the company. To give you an idea, more than 6,000 of our more than 8,200 employees received almost 500,000 hours of training in 2022.

Furthermore, we are improving and fostering collaborations with universities, technology centers, and training schools, convinced of the need to attract and develop talent. A total of almost 1,500 students attended the 37 courses that CEDINOX delivered at different Spanish universities.

I would like to reiterate our gratitude, including my own personal thanks, for the trust placed in Acerinox by our shareholders, investors, suppliers, customers, and friends. On behalf of the entire Board of Directors, I would also like to thank all of our Company's employees and collaborators for their effort, professionalism, and dedication.

As I said before, we face significant challenges that we will overcome to make this company grow, thanks to our collective commitment and our eagerness to continue making Acerinox the global leader in the sector of stainless steel and high-performance alloys.

Thank you very much.

**Carlos Ortega Arias-Paz**

Chairman

May 2023